



3 1761 11701910 9



RB4740



Presented to  
The Library  
of the  
University of Toronto  
by  
Mrs. W.R. Walton, Jr.

CAI

Z 1

-57P21

Canada. Royal commission on price  
spreads of food products.

Hearings. v. 15-16, 1958.

1959



Digitized by the Internet Archive  
in 2023 with funding from  
University of Toronto











*Dorothy Walton*



# ROYAL COMMISSION

ON

## PRICE SPREADS OF FOOD PRODUCTS

HEARINGS

HELD AT

TORONTO

ONT.

VOLUME No.:

15

DATE:

SEP 12 1958

OFFICIAL REPORTERS

ANGUS, STONEHOUSE & CO. LTD.  
371 BAY STREET  
TORONTO

EM. 4-5773

EM. 4-5865









ROYAL COMMISSION ON PRICE SPREADS  
ON FOOD PRODUCTS

---

Proceedings before the Royal Commission on Price Spreads of Food Products commencing at 10.00 a.m., Friday, September 12th, 1958, at Toronto, Ontario.

---

CHAIRMAN:

Dr. Andrew Stewart

COMMISSIONERS:

Mrs. Dorothy Walton  
Mr. J. Howard MacKichan  
Mr. Romeo Martin  
Mr. W. Malcolm Drummond  
Mr. Cleve Kidd  
Mr. Bernard Couvrette

Secretary

John A. Dawson

Assistant Secretary

A. A. Caron

---





EXHIBITS

49	Submission of the Co-operative union of Ontario	2296
50	Submission of Canadian Association of Consumers (Ontario branch)	2376
51	Submission of the Ontario Farmers' Union	2415







Submission of  
THE CO-OPERATIVE UNION OF ONTARIO

Appearances:

Mr. Alden McLean	President, United Co-operatives of Ontario
Mr. George Wilkey	Secretary-Treasurer, Co-operative Union of Ontario
Mr. George McCague	President, United Dairy & Poultry Co-operative
Mr. Melvin VanHorn	President, Manitoulin Livestock Co-operative
Mr. Robert Morrison	Livestock Marketing Division
Mr. C. M. Haapanen	Manager, Consumers Co- operative Society Ltd
Mr. Verne Kallio	Manager, Sudbury Produ- cers & Consumers Co- operative Dairy Ltd
Mr. J. Lindsay Inglis	President, First Co- operative Packers of Ontario
Mr. Joseph Rudney	Manager, Kimberley Dis- trict Co-operative Ltd
Mr. J. A. Irvine	Manager, Elgin Co- operative Services

---

THE CHAIRMAN: I will ask you to come to  
order so that we may commence proceedings.

The Royal Commission on Price Spreads of  
Food Products held their hearings during the months  
of April and May in the western provinces and the



1. The first part of the paper is devoted to a discussion of the

theoretical aspects of the problem, and the second part to a

discussion of the experimental results. The third part is devoted to

a discussion of the results of the calculations, and the fourth part to

a discussion of the results of the calculations, and the fifth part to

a discussion of the results of the calculations, and the sixth part to

a discussion of the results of the calculations, and the seventh part to

a discussion of the results of the calculations, and the eighth part to

a discussion of the results of the calculations, and the ninth part to

a discussion of the results of the calculations, and the tenth part to

a discussion of the results of the calculations, and the eleventh part to

a discussion of the results of the calculations, and the twelfth part to

a discussion of the results of the calculations, and the thirteenth part to





Atlantic provinces. We are now pleased to be opening our hearings in the Province of Ontario which will conclude next week.

Hearings will be held in the Province of Quebec in the month of October and the final public hearings of the Commission in Ottawa in the month of November.

I will ask the Secretary if he will read into the record as we open the hearings here the Order in Council which includes the Terms of Reference of the Commission.

THE SECRETARY: P.C. 1957-1632. Certified to be a true copy of a Minute of a Meeting of the Committee of the Privy Council, approved by His Excellency the Governor General on the 10th December, 1957.

The Committee of the Privy Council, on the recommendation of the Right Honourable John George Diefenbaker, the Prime Minister, advise that:

Dr. Andrew Stewart, Edmonton, Alberta,  
Mrs. Dorothy Walton, Toronto, Ontario,  
Mr. Howard MacKichan, Halifax, Nova Scotia,  
Mr. Romeo Martin, Montreal, Quebec,  
Dr. W. M. Drummond, Guelph, Ontario,  
Mr. Cleve Kidd, Toronto, Ontario, and  
Mr. Bernard Couvrette, Montreal, Quebec,

be appointed Commissioners under Part I of the Inquiries Act, to:







- (a) inquire into the extent and the causes of the spread between the prices received by producers of food products of agricultural and fisheries origin and the prices paid by consumers therefor;
- (b) determine whether or not such price spreads in general or in particular cases are fair and reasonable, or are excessive, in relation to the services rendered;
- (c) make such recommendations as they deem appropriate if any such price spreads are found to be excessive; and
- (d) examine the adequacy of price information currently available.

The Committee further advise:

1. That the Commissioners be authorized to exercise all the powers set out in Section 11 of The Inquiries Act;
2. That in the exercise of their powers to employ counsel, experts and assistants under Section 11 of The Inquiries Act, the Commissioners may authorize remuneration to such persons and reimbursement for their expenses with such limits and on such conditions as the Treasury Board may determine from time to time;
3. That the Commissioners adopt such procedure and methods as they may from time to time deem expedient for the proper conduct of the inquiry and sit at







such times and at such places in Canada as they may decide from time to time;

4. That the Commissioners be assisted to the fullest extent by government departments and agencies;
5. That the Commissioners report to the Governor in Council;
6. That Dr. Andrew Stewart be Chairman of the Commission.

R. B. Bryce,

Clerk of the Privy Council.

THE CHAIRMAN: Thank you. During our hearings in Toronto we expect to hear from the following firms and organizations.

The Co-operative Union of Ontario.

The Ontario Branch, Canadian Association of Consumers.

The Ontario Farmers' Union.

Canada Bread Company Limited.

Ontario Federation of Agriculture.

Government of Ontario.

Ontario Federation of Labour.

The York Trading Limited.

Red and White Corporation Limited.

Dominion Stores Limited.

Great Atlantic and Pacific Tea Company Limited.

If anyone should wish to have access to the briefs which have been presented prior to their







presentation, I suggest that you inquire of Dr. Dawson, the Secretary, to see whether that can be arranged for you.

The first presentation this morning is to be made on behalf of the Co-operative Union of Ontario.

I shall ask Mr. George Wilkey, the Secretary-Treasurer, if he will now come forward. I understand, Mr. Wilkey, you have a number of colleagues with you who will participate in this presentation but you have a general presentation to give at the outset; so would you please come forward and proceed.

We are glad to have you read your statement into the record.

MR. WILKEY: Thank you, Dr. Stewart. Do you wish me to remain standing?

THE CHAIRMAN: No, I think you will be more comfortable sitting. This, I think, is Exhibit No. 49.

---EXHIBIT NO. 49: Brief submitted by the Co-operative Union of Ontario.

MR. WILKEY: Brief to the Royal Commission on Price Spreads of Food Products presented by the Co-operative Union of Ontario, September, 1958.

1. On behalf of the Co-operative organizations which are members of the Co-operative Union of Ontario, many of which are members of the Ontario







Federation of Agriculture, we wish to thank the members of the Royal Commission on Price Spreads for the opportunity of making this presentation for the Co-operators of the province. The question of price spreads is of great concern to us. It is generally assumed that narrowing the price spread between producer and consumer is one of the main objectives of co-operatives. Every dividend or price bonus paid to producers over the current price for farm products, and every patronage rebate paid to consumers of food products, represents a closing of the price gap between the two groups. In our presentation here today, we hope to give you concrete evidence of how the co-operative organizations in this province are accomplishing this.

2. The Co-operative Union of Ontario is made up of over 300 co-operative organizations, in this province, having a total membership of 133,794, ranging from small rural associations with a turnover of perhaps \$100,000 to a large central wholesale organization covering the greater part of Ontario. The typical association in our membership is a rural purchasing co-operative for farm supplies of all kinds. Another type of co-operative business in the province is a marketing organization. On the sale of farm products for the members, the volume of business of the co-operatives of Ontario in the past year was \$137,675,000,





on supplies to the farmer members, the volume of business transacted was \$57,262,000. This does not include the figures for wholesale business. In addition, we have in our membership in this province, eight fishermen's co-operatives with a marketing volume of \$2,346,000 in the past year.

3. The savings made for the members by farm supply co-operatives on purchases do not enter directly into this investigation, but indirectly they do since dividends received by farmers on feeds, fertilizer, petroleum and supplies purchased, represent a lowering of the cost of production and at the same time, a gain or bonus on the products marketed.

4. Consumer co-operation in food products is not well developed in this province. However, we do have a number of co-operatives which are operating successfully in this field and we hope to present evidence here today of how they, too, succeed in narrowing the price spread for the members.

5. Most of our briefs and information to be presented to you concern the marketing co-operatives and their contribution to this problem of price spreads. To see this problem in perspective, we should go back to when much of the farm marketing of this country was carried on directly between producer and consumer. In those days, there was little or no spread at all between the two. If the







farmer took his milk, fruits, vegetables or other farm products directly to the urban dweller, he sold directly to the ultimate consumer and got one hundred cents of the consumer's dollar. Of course he incurred expenses in carrying on direct selling, but at least he controlled the whole process between producer and consumer. But conditions have changed a great deal since then and have been changing very rapidly, especially in the last ten years or so. Two things have been happening:

- A) The rural producer is getting farther away from the urban consumer all the time, and direct selling has almost entirely disappeared.
- B) The consumers, under modern conditions of living, need products in a variety of processed forms which add greatly to the original cost of the products.

In agricultural co-operatives, we try through the ownership of the processing plants and marketing services to ensure that the producers will continue to control the products as the farmers did in days gone by when they marketed by door to door selling.

6. In the interest of the farmer producers and the agricultural industry in general, we would summarize our viewpoint on this basic question of price spreads under two headings:







- A) We recognize that a price spread is necessary: the services performed between producer and consumer have to be paid for and are reflected in the price spread.
- B) We argue that the spread should be for essential and necessary services, and that all wasteful and unnecessary services between the two should be eliminated.

7. In modern life we all know that consumers are demanding and getting additional services of all kinds in connection with the merchandising of food products: foods tend to be processed more and more all the time; packaging and wrapping are more and more elaborate; there are new costs involved in freezing, storage, transporting and advertising. If consumers need or demand these services, the producers should not oppose them or deny their right to have them. But, the agricultural co-operatives maintain:

- A) That these extra services must never be used as an excuse or a reason to cut down or depress the returns paid to the producer; in other words, if consumers want special services, they should pay for them and not have the agricultural producer bear the burden.
- B) The consumer should be made aware of what he is paying for; in other words, he must





understand that the price he pays is not for food product only, but food products plus a great variety of services.

8. The agricultural co-operatives in this province, as elsewhere, have grown out of strong conviction and experience on the part of farmers, that producers have banded together co-operatively for the most efficient and advantageous handling of their products. The co-operative members are convinced that the farmer cannot afford to leave the control of the gap between producer and consumer in other hands. The interest of the producers can best be guarded and protected through an organization which the producers themselves own and control. Furthermore, if there is an advantage to be gained in the marketing of food products through processing of any kind, the farmer producer has a right to share in that gain. From the co-operative viewpoint the ideal situation would be to handle food products on a co-operative basis from producer to consumer whereby any reduction in the price spread would be the result of savings which would be distributed to the producer and consumer members. We believe that producers should go as far as possible beyond the stage of actual production in order to control their products to best advantage in the market-place. It is for that reason that farmers in this province have gone into such co-operative







processing facilities as dairy plants, cheese factories, livestock packing plants, poultry processing, etc.; and fishermen have done likewise.

9. The final effect of co-operative action by the producers in getting the best possible return and thus narrowing the price spread between producer and consumer may be seen in three different ways:

- A) The very presence of the co-operative society acts as a regulator and yardstick on the market and thus tends to keep the actual current price paid to the producer at a competitive level.
- B) Over and above the current market price paid to all producers, co-operative marketing societies have a long record of additional payments or patronage dividends to the co-operative members.
- C) In addition, there is also the investment that the co-operative member is building up in his organization through his patronage.

In other words, most of our co-operative societies aim to pay producers the current market price, then on top of that, a patronage dividend, and finally there are the undistributed member equities and reserves that are set aside to build the financial structure of the co-operative business. At the







end of 1957, the members' equity in co-operative associations in Ontario was over seventeen million dollars, and we know that only a small part of this was invested by the members in cash. The remainder was built up by the operation of the business and represents an outright gain and savings to the producer. Examples of this will be given in the evidence presented later.

10. The above is generalized statement based on the principles and the experience of the Co-operative people in Ontario. In order to present specific information that might be of value to the Commission, we have arranged for a number of typical co-operative societies in the province to be represented here today, to give firsthand information and also to answer questions on which the Commission would like to have further information. I should like now to present the representatives, each of whom will give a very brief summary of his organization and how it has contributed to solving the problems which you have under study.





Mr. Chairman, it gives me great pleasure to call upon Mr. J. Lindsay Inglis, President of the First Co-operative Packers of Ontario, in Barrie. Mr. Inglis.

THE CHAIRMAN: Thank you very much, Mr. Wilkey. Mr. Inglis, will you come forward. Perhaps, Mr. Wilkey, you would care to remain at the table while Mr. Inglis is up there. I take it that these gentlemen are not coming forward in the precise order.

MR. WILKEY: No. With your permission, Mr. Chairman, I would like to rearrange them.

THE CHAIRMAN: Yes.

MR. WILKEY: If it meets with your approval.

THE CHAIRMAN: By your rearranging these, it seems to be a kind of illustration of co-operative organization in itself. We are looking forward to hearing from each representative. I believe we have received a statement from Mr. Inglis.

MR. INGLIS: Mr. Chairman, Mrs. Walton and Gentlemen: As president of Ontario's only Co-operative Meat Processing Industry (the First Co-operative Packers of Ontario Limited) I am pleased to have this opportunity of supporting, by actual proof, just how Co-operative principles, when properly exercised, can, and do, decrease the price spread that exists between the price paid to the producer and the price paid by the consumer for the







finished product. We are well aware of the consumers' shopping preference in regard to modern preparation and packaging, which undoubtedly affects the price spread to some degree. Industry of any form has a legal right to a reasonable profit based on its capital investment and that part of the work it performs. In the case of merchandising farm products, if that profit is too little or too great it is not for us to challenge; rather, we would like to better acquaint you with our principles.

In the case of meat processing, which we are primarily interested in, a producer of livestock, whom we will say is a member of our Co-operative, delivers livestock to our plant. He is paid an initial payment which is usually the daily market price. That livestock is then processed into a number of meat products which is delivered through various retail channels for distribution to the consumer. Annually the plant operations are reviewed and if the said operations have been successful a dividend is declared and each member is paid in accordance with the amount of livestock that he markets. This payment is the second and final payment for the livestock marketed that year.

Let us now refer to the attached chart listed as Exhibit "A". Supposing a Co-operative plant shows constant and profitable progress and dividends are declared annually, we could then





consider the small gap which exists between the broken line (Price paid to Farmers) and the dotted line as an annual dividend, or a final payment for the livestock delivered to the plant. This payment actually increases the amount paid to the farmer, which decreases the spread between the price paid to the farmer and the price paid by the consumer. Do you not agree we have decreased the price spread?

Speaking as a producer, which I am, I would like to quote a specific case which supports this theory.

Load No. 1:

This can be any load of hogs marketed through any independent processor who will pay the daily market price as full and final payment. (May I remind you any time I have marketed through an independent processor they have always paid me the full market price.)

Load No. 2: Exhibit "B"

These hogs were delivered to my own Co-operative plant and upon delivery I was paid the daily market price (\$31.50 - Globe and Mail market report dated January 4, 1957) but in this case by Co-operative marketing this amount represented only an initial payment and at the close of the Co-operative's fiscal year profitable progress had warranted a dividend which in terms of hogs amounted to \$ .67 per head. (Exhibit "C" - President's







report). This dividend represented the final payment on these hogs, over and above the market price. Such dividends do increase the total payment to the member producer and in turn decrease the spread between the producer and the consumer.

A typical progressive farmer in the County of Simcoe, being a member of the Co-operative, realized dividends to the amount of \$353.00 in 1957. Producers marketing through their own Co-operative also share through increased equity. Speaking of our own operation the relationship between present value and original investment is now approximately three to one. These figures are based on actual investment versus actual appraisal of a reputable firm.

Co-operatives when operated properly can, and do, decrease the price spread between farmers and consumers.

Now, turning again to "B", this is an actual statement of mine, a shipment of hogs which we have outlined as Load No. 2.

THE CHAIRMAN: Thank you very much, Mr. Inglis. May I ask, you are yourself both a hog and meat producer?

MR. INGLIS: That is correct.

THE CHAIRMAN: We will proceed to hear all the other representatives, but we won't have questions to ask.





MR. WILKEY: Mr. Chairman, I would like now to call on Mr. Joseph Rudney, Manager of the Kimberley District Co-op Creamery, Kimberley, Ontario.

THE CHAIRMAN: Yes, Mr. Rudney.

MR. RUDNEY: Mr. Chairman, madam and gentlemen:

1. As manager of the Kimberley District Co-operative Creamery, it gives me a great deal of pleasure to present evidence here today, which I hope will assist you in the subject which you have under study.

2. Kimberley Creamery is situated in the Beaver Valley, and has a total membership of five hundred farmer-producers. In 1950 our sales on both butter and eggs totalled \$236,166 and in 1957 our sales on the same products totalled \$605,711. It has always been our policy to pay the current market price on the day the produce is delivered by our producers to their co-operative. In addition to paying the current market prices, in 1957 Kimberley Co-operative paid to its producer members, two cents per pound on butterfat, and one cent per dozen on eggs. Evidence of the patronage refund is attached hereto.

3. The following statistics are taken from our last financial statement for the year ending September 30th, 1957. Our net revenue for the above period totalled \$16,732 which was distributed







as patronage returns.

4. In my opinion, the most significant changes in our organization over the past ten years has been:

(a) The increased butterfat content in the cream delivered by the producers which has resulted from the consistent advice from specialists representing United Co-operatives of Ontario.

(b) The greatly improved regulations and stipulations in respect to cleanliness which is reported thereon, by provincial inspectors on their frequent visits.

(c) Form equality of butter has been greatly improved by stricter grading regulations.

Other less significant changes over the past ten years are tax regulations, tariffs and trade regulations which I feel are now at a very high level and have not affected our operation or costs.

Although wages during the past ten years have increased, I would like to point out that our wage expense for 1957 was 4.2 per cent of sales. Recommended standard percentages by our chartered accounts for organizations of a similar operation is 4.5 per cent of sales. Other items of interest which I feel will be of interest to the Commission are our advertising breakdown being:





Newspaper	\$93.00
Magazines	17.00
Television	220.00
Local	30.00
Canvassing	<u>25.00</u>

\$385.00

Earnings of employees during 1957 were as follows:

Supervisory	\$5,000
Sales & Buying	3,640
Production	<u>16,910</u>

Total \$25,550

5. I feel the interest of producers and consumers would be better served if grades were maintained on butter, directly from producers to consumers. I would strongly recommend identifying quality by the introduction of legislation compelling all processors not only to print the grade but the score on butter wrappers. I feel the grades now in effect on eggs are appropriate. Retail outlets should be compelled to store their butter and eggs in refrigerated facilities.

In conclusion, may I offer once again my sincere thanks for the opportunity of presenting this submission to the Royal Commission, and I hope my small contribution will be of assistance to you in your deliberation.

Thank you.

THE CHAIRMAN: Thank you, Mr. Rudney.

MR. WILKEY: Mr. Chairman, I would like now to present Mr. J. A. Irvine, Manager of the Elgin Co-operative Services in St. Thomas. Mr. J. Archie Irvine.







THE CHAIRMAN: Thank you, Mr. Wilkey.

MR. IRVINE: Mr. Chairman, madam, gentlemen:

1. To support the statement that Co-operatives narrow price spreads by returning part of that spread to their farmer members we are pleased to submit the following data regarding Elgin Co-operative Services.

2. Organized in Elgin County in 1944.

3. Membership in December 31, 1944 - approximately 400; membership in December 31, 1957 - approximately 2,000.

4. Type of Business

A. Grain marketing - purchasing corn, wheat, soybeans, rye and pea beans from farmers and selling in carload or truckload lots.

B. Feed manufacture and retail - manufacturing dairy, poultry and hog feeds and retailing feed, fertilizer and farm supplies.

C. Buying, grading and marketing eggs - a small operation consisting of one egg grading station.

5. Farmer investment in the form of loan units totalled \$43,600 in 1944, increased to a high of \$105,000 in 1949, and, at the end of 1957, stood at \$93,400.

6. Total cash patronage dividends returned to members to date, \$675,000, approximately 40 per





cent of which has been paid on products purchased from farmers. This is shown by the figures for the past five years listed below.

7.	Dividends on Purch.	Rate Grain Per Bus.	Rate Eggs Per Doz.	Dividends on Sales	Rate %
1957	\$25,000	.02¢	.01¢	\$35,000	2¢
1956	37,000	.03¢	.01¢	50,000	3%
1955	43,000	.03¢	.01¢	45,000	3%
1954	23,000	.03¢	.01¢	43,000	3%
1953	27,000	.03¢	.01¢	39,000	3%

8. In addition to the cash dividends which were returned to the members, the farmer equity in Elgin Co-Operative Services has been gradually increased by allocating part of each year's profits to surplus. This equity is indicated by the accumulated surplus which amounted to \$344,000 on December 31, 1957.

9. We would also point out that interest at current rates has been paid on all money used to finance Elgin Co-operative Services, so that the patronage dividends and accumulated surplus represent actual savings.

10. Competitive daily prices are maintained in both the retail and marketing operations.

11. We are submitting copies of our 1957 statement to give more detailed information if such is required.

Thank you.







THE CHAIRMAN: Thank you, Mr. Irvine.

MR. WILKEY: Mr. Chairman, I would now like to present to you Mr. Charles M. Haapanen, Manager of the Consumers Co-operative Society Limited, Timmins, Ontario.

THE CHAIRMAN: Yes, Mr. Haapanen.

MR. HAAPANEN: Mr. Chairman, Madam Walton, members of the Commission: I have answered or tried to answer the questions sent to our president, and I have not included the questions in this brief. I think you will have to refer, perhaps, to your questions while I am reading this, or do you want me to read the questions at the same time?

THE CHAIRMAN: I think if you would just read your own statement, please.

MR. HAAPANEN: The Consumers Co-operative Society Limited, Timmins, Ontario, was organized in 1931. Fifty-two miners from the Porcupine Gold Camps made up the original membership. Today it has a membership of over two thousand from various nationalities and professions. It operates four food stores, two coal distributing sheds, fuel oil distribution, and one variety store handling household hardware and some clothing. The stores are located in Timmins, South Porcupine, Schumacher and at the Dome Mines near South Porcupine.

This Co-operative was started by Finnish-born immigrants, who in their home country had





learned the value of cooperation. Their purpose in organizing a co-operative was to obtain necessary services and reduce the cost of living. During the Society's twenty-seven years of operation its total operating surplus amounts to \$522,316. Of this \$338,500 has been returned as patronage dividends, and the balance having been used to pay income and corporation taxes, employee bonuses, student bursaries, and the sum of \$77,800 transferred to a reserve account.

The following are answers to the various questions requested by the Commission:

The appended two audited copies of the annual report are for the years 1956 and 1957. The additional information requested in the questionnaire is applicable to the operating year 1956. Details for the latest operating year 1957 are not yet available.

1. Net Revenue \$32,707.44

Extraordinary expenses during the year, which were a deduction from the net revenues are:

Silver Jubilee Fair (25th Anniversary  
Celebration \$2,266.99

Depreciation on an accounting  
machine \$1,579.77

2. Distributions of Net Revenue, including  
interest:





(a) Interest Payments:

(i) On shares . . . . . nil

(ii) Other interest payments:

To Member and Patron-	
age Loans	\$1,185.60
To Members' Notes	
(Loans Payable)	\$ 686.57
To Non-members	Nil

(b) Patronage Refunds:

(i) Cash:

To members	\$10,747.75
To non-members	Nil

(ii) Credit to loan or  
share account:

Members:	
Patronage Loan Account	\$ 4,046.48
Share	5,217.10

Non-members:	
Share Subscription	2,618.96

(c) Amount allocated to surplus 3,000.00

2. Distribution of Net Revenue, including  
interest

(d) Other:

Employee Bonus	\$2,014.00
Branch Managers' and	
Department Head Bonus	2,014.00
Bursary	150.00
Provision for Corpora-	
tion Taxes	<u>1,590.30</u>
	\$5,768.30

3. No separate patronage refund record is kept  
of the various products sold. Rate of patronage  
refund is the same for all merchandise sold.

(a) Rate of Patronage refund  
(i) Member 2.72%  
(ii) Non-member 1.36%

(b) Total amount of patronage  
refund \$22,633.48







Section 2

(1) Significant changes external to our business during the past ten years:

(a) The opening of large "supermarkets" by the chain organizations and the terrific promotional propaganda that goes with it. It is only natural, that this would affect the operations of every organization in the same field. To offset some of the propaganda more money has had to be spent in advertising, and also in replacing of old but good serviceable equipment with new flashier and more modern equipment.

(b) Pre-packaged and frozen foods:

The past ten years prepackaging of foods and frozen foods have come into the forefront of merchandising. This requires larger capital investment.

(c) Consumer Shopping Habits:

Consumer shopping has changed considerably. The use of automobiles is more prevalent, which in turn brings up a problem of finding parking areas.

2. It is our policy, in general, to charge the market price.

(a) It may be said, in a general sense, that we charge the same price as our competitors. It is almost impossible to have every item the same. We do not make a daily or weekly comparison check. It may be incidental to following daily market costs





and applying a mark-up applicable to the product. We do not approve the promotional method of selling "below cost" and charging more on other lines to make up.

(b) During the last few years we have made price comparison tests. These tests in most part include fast moving "everyday" food store items, and usually include nationally branded merchandise. The stores compared are branches of two national chains, and one of the leading independent stores. Copies of tests made in 1956, 1957 and 1958 are attached. Exhibits "A", "B" and "C".

3. (a) We do not process or market any particular food line.

(b) Attached are copies of price lists prepared from weekly list of "Ambler Pricing Services" of Toronto. These show the prices charged for meats by the various chain stores in Toronto.

Opposite each item, under heading "Consumers" we show our retail price for the same week. The lists are for two recent weeks. A similar price differential has appeared in previous week comparisons. Exhibit "D".

A copy of a letter (Exhibit "E"), dated November 16th, 1954, from the Secretary of Trades and Labour Council of Kapuskasing, shows price differential between other northern towns and Timmins. The letter refers to a list. This







list has either been lost or never received. Similar comparisons have been made with other communities which show very much the same difference.

We had no written evidence in our files to back this statement.

4. Grocery pricing, usually, takes into consideration sales velocity. Mark-up is very low on fast moving "everyday" food items. We aim at an overall average gross margin of 17 per cent. We do not use our produce and meat departments to absorb "loss leader" selling in dry groceries. We aim at a gross of 20 per cent on meats and produce.

5. We do not handle prepackaged "fresh" meats. Only limited quantities of prepackaged cooked and smoked meat are handled. Neither do we carry a full line of frozen foods. These require large investment for special equipment and larger facilities which we have felt to be uneconomical.

6. The multitude of reports required by the various departments of the provincial and federal government demand considerable time and expense. Many of the required reports are a duplication of similar information asked by another department in a different wording.

(a) Local "business taxation" based on Section 6(f) of the Ontario Assessment Act, municipalities with a population of less than 100,000 and





where property assessment exceeds \$20,000 a retail merchant shall be assessed for business purpose at 50 per cent of the property assessment, if he deals in more than five branches of retail trade. The method used in listing of the "branches of retail trade" places practically every food retailer in this category.

However, properties having assessed value of less than \$20,000 do not come under this section of assessment act and have considerably lower business tax as well as property tax. The Society owning comparatively new and modern building to serve its members has a much heavier tax expense than many of its competitors.

The provincial "Place of Business Tax" (Section 6 of the Corporation Act) adds a \$50 annual charge on each location. This is additional tax on a business operated as a service to the members.

7. Comparing the wages paid to fourteen employees in 1949 and similar position as of today we find the average wage in 1949 was \$39.22 per week as compared today to \$55. This is an increase of 40 per cent. Labour productivity has not increased in the same proportion. This is borne out by the fact that the average store wage based on per cent of sales is approximately the same as it was in 1949.

8. (a) Our promotional activities differ





mostly in that we have not entered the "Free" give-away promotion. Neither do we use full page spreads as has been a practice of our competitors.

(b) Total cost of advertising for 1956 was \$2,983.90.

The breakdown is an estimate. We do not keep separate records of each types.

Newspaper	\$2,683.00
Magazine	Nil
Radio	200.00
Television	100.00
Other	Nil

9. Our organization is not sufficiently large to have separate sales and buying departments. Also, our branch managers who are more or less in supervising capacity also give most of their time to selling. It is therefore difficult to give a breakdown as requested.

Our breakdown is as follows:

Administration and Head Office	
Wages	\$15,770.93
Selling and Delivery Wages	78,099.51
Employee Pension Fund Contribution	1,115.45
Employee Bonuses	<u>4,028.00</u>
Total	\$99,013.89

### Section 3

1 Food processing, wholesale distribution, and retail distribution has concentrated into the control of a few large monopolies. This concentration of processing and distribution







restricts competition. Uniform cost is somehow established for most nationally advertised branded merchandise. If there is a change in one price, up or down, a change usually takes place in others at the same time and same amount for most similar but different national brands. The primary producer, independent retailer, or the consumer has very little, if any, say in the price charged. The retail price has been determined long before the merchandise reached the store shelf.

The manufacturer does occasionally offer price concessions on mass purchases -- often much too large quantities for an average retailer to take advantage of. These offers are usually followed up by heavy advertising programmes and house-to-house distribution of "free cents off" coupons. The retailer is now forced to stock the brand and size so as to be able to redeem his customers' coupons. The selling price having been established on the basis of the low mass purchase cost weeks before by large chain organizations.

2. The retail end of the food trade is highly competitive. The mark-up is about the lowest of any other retail trade. There is little room for price competition by the food retailer.

The manufacturers on the other hand vie for the consumer support by fancy packaging, or "cents off the price", coupons, prizes of various





kinds packed in the package or available with a coupon or wrapper label. This merchandising is usually heavily supported by advertising and various promotions at the store level.

The "big three" soap manufacturers have a continuous flow of deals and coupon giveaways. They stuff more trinkets in their packages than soap. Their "cents off per package" deals change constantly from one brand to another. They appear to compete with each other on how large a carton with the least soap they can market.

This type of merchandising adds to the cost in more ways than one. This has to be borne by the consumer.

3. The average housewife is definitely confused and unable to judge the "best buy".

Legislation could regulate package sizes and standards.

4. No. The consumer should not be required to pay for expansion. Expansion funds should come from the investor who is reaping the profit from such expansion. The consumer does not profit from expansion.

5. We are very strongly in favour of establishing standard grades for all merchandise from producer to consumer.

6. To be able to compete we have had to circumvent the wholesale trade and get as much of







our merchandise on direct basis as possible. Since the end of the war most suppliers have placed us on the direct list. A great deal of objection has come from the wholesale trade, which, of course, is only natural. In a few cases where we were successful, but because of pressure from some source, the listing was cancelled.

Mr. Chairman, on Exhibit "B" there is a small mistake made in the copying. The total of the first item should be \$53.65 instead of \$53.01. That is Exhibit "B", under "A consolidated statement of a price comparison survey". The total of the first item, Chain "A", should be \$53.65 instead of \$53.01.

THE CHAIRMAN: Thank you very much, indeed.

MR. WILKEY: Mr. Chairman, I would now like to present to you Mr. Verne Kallio, who is Manager of the unique Co-operative, doing business with the producer and the consumer, the Sudbury Producers and Consumers Co-operative Dairy Limited in Sudbury. Mr. Verne Kallio.





MR. KALLIO: Mr. Chairman, madam and gentlemen, the Sudbury Producers and Consumers Co-operative Dairy Limited received its charter in December, 1933. The purpose and need arose from a situation in which the small milk producer found himself in the Sudbury market. They were being treated as part-time shippers. The larger shippers were favoured with year-round marketing facilities and small producer was only called upon to ship during low production, high cost periods. Impetus to organization was also given by a consumer price increase at the time, so that many consumers were anxious to join. All this occurred before the passing of the Ontario Milk Control Act and before The Whole Milk Producers Association had been organized.

2. The Co-operative Dairy Society was organized by a group of Producers and Consumers. The co-operative started on May 1st, 1934, by taking over a going business, small in volume, for a purchase price of \$16,000. The financial structure is on a share capital basis, and membership was open to all. The value of each share is \$5 with a maximum of shares per member. Producers are all shareholders, consumers are not all members.

3. Retention of part of the annual net surplus by the society was originally 20 per cent, which was placed into a reserve fund. A few years ago this was increased to 50 per cent.





4. Patronage rebates were paid only to the producers until the Milk Control Act was amended permitting the payments to consumers. Producer rebates are paid on a three-year loan certificate plan. Consumer rebates are paid in cash or redeemable voucher. Member consumers are paid a different rate than non-member.

The first allocation of surplus when paid to the Consumers was as follows:

50 per cent to Surplus  
25 per cent to Producers  
 $12\frac{1}{2}$  per cent to Member Consumers  
 $12\frac{1}{2}$  per cent to Non-Member Consumers.

In 1956 the allocation percentages were set up as follows:

50 per cent to Surplus  
17 per cent to Producers  
17 per cent to Member Consumers  
16 per cent to Non-Member Consumers.

The same percentages were approved by the Annual Shareholders Meeting in April, 1958, to distribute the 1957 surplus.

The distribution is made by arriving at the amount to be distributed in each case as follows:

(a) To the producers we allocate on a percentage basis.

(b) Member consumers share of the net earning is arrived at by the amount available being allocated on a unit basis. By units we mean quarts of milk purchased on an average day for the year.







Our office along with the route supervisor goes over each route determining the number of quarts purchased by a member customer. The total number of units then is divided into the total rebate amount available. This unit value was \$3.55 of the 1956 surplus. In this way a rebate of \$3.55 was given a one quart daily customer or one cent per quart per day. Multiples of that amount are figured for larger customers. Redeemable vouchers are then issued giving amount, name and address of customers. We redeem vouchers by cheque or merchandise.

(c) The non-member allocation is on the unit basis also. The remaining units sold on the average day after member customers' units have been arrived at gives us the total for this group.

This total is again divided into the available money and its unit value determined. In 1956 this was forty-five cents per unit. Coupons of forty-five cent value were then distributed by the route supervisor on each route as each call on route indicated.

To this date we have allocated to the producers	\$42,829
To the Consumers, members and non-members total allocated amounts to	\$42,927
Interest on shares paid approximately	\$ 3,000
Our share capital on December 31st, 1957, was	\$ 7,550
Producers Patronage loans	\$ 7,287
Our depreciated assets on the same date were	\$161,406
Sales	\$580,121.





THE CHAIRMAN: Thank you, Mr. Kallio.

MR. WILKEY: Mr. Chairman, I would now like to present to you, and through you to the other members of the Commission, Mr. George McCague, President of the United Dairy and Poultry Co-operative Limited, and Vice-President of United Co-operatives of Ontario.

MR. McCAGUE: Mr. Chairman, Mrs. Walton and gentlemen: United Dairy and Poultry Co-operative will officially commence operations October 1, 1958. In view of this there is no background of operations.

We appreciate this opportunity of projecting some of the objectives of this new organization and reasons why we are encouraged and directed to proceed further in producer marketing services. The decision is based on actual results and knowledge of the benefits that can accrue when primary producers undertake to manage off-farm phases of agriculture.

That co-operatives and producer marketing are effective and have received acceptance is indicated by the support they are receiving at producer level. There is a total of 217 creameries in Ontario, including 23 Co-operatives with an average yearly make of butter of 370,000 pounds each. The average yearly production of the 23 Co-operatives is 870,000 pounds each.





Efficiency of creamery operation we are told and believe from our experience is in direct proportion to volume of production with better results indicated at a minimum volume of 500,000 pounds per year, with further improvement being realized to a volume of 1,500,000 pounds, at which point earnings tend to level off.

The output of the total creamery plants in Ontario numbering 217 could be handled by 92 Co-operative Creameries based on actual figures reported above. The result of this it is recognized would be greater efficiency, a higher return to the producer, hence reducing spread and an overall increase in quality, to which I wish to refer later.

U.D.P.C. will include the plants and facilities presently comprising the Dairy and Poultry Division of U.C.O. and at this point I wish to report briefly on figures of this division taken from the consolidated balance sheet of U.C.O., which shows that the total distribution of earnings of the division for the past ten years were \$520,378, an average per year of \$52,000; earnings distributed for the year 1956-57 were \$33,163.

This division is being transferred to U.D.P.C. on the basis of depreciated value less a percentage of U.C.O. reserves.

Local Co-operatives will be invited to







merge with the provincial organization; two mergers have already been completed and other locals are studying merger plans.

The performance of co-operative dairy and poultry plants is a success story and in the formation of this new provincial marketing co-operative we recognize that developments today in agriculture indicate that plants must be large, diversified and efficient. The earnings of a plant and returns to its members will be most favourable if the plant is diversified in its operation and can turn its production to whatever product is meeting the most favourable market.

We believe that today, in the midst of large retail corporations, central control including central selling is an important feature of our policy. We believe there should be greater incentive to produce higher quality dairy and poultry products. We believe that in the case of eggs quality control starts with the right strain of laying flock, controlled feeding, on-farm refrigeration, frequent delivery to retail outlets where product is continuously held under refrigeration. We believe there is no one better qualified to follow his dairy and poultry products from farm to retailer in the various steps of processing than the primary producer.

We think the producer must recognize that





this is his product; that he stands behind its quality and in turn will expect the retailer to respect its value and handle it with care. Government standards of quality we feel are satisfactory except that in some cases the tolerance is too wide between the same grade. United Dairy and Poultry Co-operative top quality will be sold under our recently established "GAY LEA" Brand, the required score of which will be the top range of present limits.

It is our objective that where the housewife sees "GAY LEA" dairy and poultry products there will register in her mind a product with freshness that sparkles. Quality considered, costs would not be more; it could close the spread and increase consumption.

In the past two years there have been eleven new milk plants engaged particularly in the manufacture of powder brought into operation in Ontario and Quebec. These plants represent large investments and we as producers are concerned lest the industry be further burdened with overhead which tends to adversely influence producer price. We are wondering too if this number of large capacity plants coming into operation is a contributing factor in the burdensome surplus of milk powder.

We in the co-operative movement operate





large milk plants in this province. Of the seven plants in Ontario with the largest manufacture of powder, three are Co-operatives. However, while we have modernized and extended existing plants we believe that in having established no new units our decision represents the best interest of the producer.

That the producer must follow his product more closely in each successive step and enter more aggressively into processor marketing we believe is most important and can favourably influence price spreads.

There are two areas in which competitive bargaining position of the primary producer could influence spreads between producer and consumer. I refer, first, to a situation which might appear to be developing when a single organization engaged in either processing or retailing becomes so dominant as to exercise a strong downward pressure on prices at producer level, and is big enough to set the pace for the market reflecting in reduced prices to the primary producer. In the other instance I suggest that, other than the Co-operatives engaged in food processing, the only organized upward pressure on price takes place after the product is out of the hands of the primary producer. The resultant spread that develops at this point may not be in either producer or consumer interests.







THE CHAIRMAN: Thank you, Mr. McCague.

MR. WILKEY: Finally, Mr. Chairman, I would like to present to you Mr. Alden McLean, President of United Co-operatives of Ontario.

MR. McLEAN: Mr. Chairman, Mr. Walton and gentlemen: United Co-operatives of Ontario is a central co-operative wholesale owned and operated by the one hundred and fifty local co-operatives in Ontario who are its members. The Local Co-operatives in turn are owned by sixty thousand Ontario farmers.

United Co-operatives did a volume business of over \$62 million in 1957. This was composed of \$20,931,000 in marketing livestock, \$12,116,000 in dairy and poultry and \$29,276,000 in farm supplies. Net operating earnings in 1956-1957 were \$416,000. During the past ten years we have returned to members some \$2,892,000 in patronage dividends. The patronage return in our marketing divisions has made a contribution directly to aid in reducing the price spread. The substantial return of patronage dividends in our farm supplies business has lowered the farmers' cost of production but may not be considered to have directly enough reduced the price spread so as to come within the study of this Commission.

The merchandization taking place in agriculture today inevitably demands larger units





of production. Production costs are high and the net per unit is small. Mechanization that first came in grain production has now reached the feeding of livestock and poultry on a mass basis. This mechanization, involving larger units, demands extensive finance and credit which most farmers have been unable to secure.

Business, represented by feed companies or processors has seized the opportunity to extend credit to farmers under an integrated contract programme. In many cases the feed company or processor owns the hogs, the broilers, the laying hens, and the farmer becomes a "share cropper" working for a unit wage. This integrated arrangement in production, assembling, processing, packaging, brand identification and advertising will influence the "price spread".

Co-operatives have moved slowly into "integration" because its farmer-members accepted it reluctantly. However, it is now apparent that the agricultural industry is being increasingly integrated, and the word "Agribusiness" is now commonly used. Indeed it may not be long before the only important market outlet for farmers will be contracts with the government, private operators or co-operatives.

United Co-operatives' Board and Management has taken action to move into contract feed and





vertical integration. If agriculture is to be integrated, we believe it preferable that it be from the bottom up for the benefit of the farmers, rather than from the top down at the expense of the farmers. If production, processing, packaging and distribution are to be integrated under one 'business management' we strongly believe that farmers should control the integration by building their own processing and distribution co-operatives. The farmers will not only have control, but whatever earnings are made in the different stages of the integration will be returned to the producer. In 1957 United Co-operatives returned to members in patronage some \$157,000 from central manufacturing of feed. We have plants that should eventually lead to building processing plants. This integrated programme, owned and controlled by Ontario farmers will return substantial patronage to the producers and will indirectly, if not directly, reduce the 'price spread'.

It is estimated that Ontario co-operatives handle from 30 to 33 per cent of the cash grains of wheat, corn, soyabeans and white beans marketed in southwestern Ontario. Co-operatives have been for some time established in grain marketing and it would appear that margins are reasonable for gathering, cleaning and drying of these grains that are made ready to be shipped to the processor.







Handling charges of local elevators are from five to ten cents a bushel, depending on market and volume handled. United Co-operatives' Grain Marketing Division markets most of this grain for locals at a brokerage of approximately one cent per bushel.

United Co-operatives in cooperation with producer marketing boards has extensive plans for building a grain terminal to store and condition grain so as to more evenly feed the market. At the present time (D. R. Campbell, O.A.C. Survey 1955-56) seventy per cent of the wheat goes to market during harvest months of July and August. This storage will provide more stability to market and help to prevent wide fluctuations in price.

It is our belief that such surplus farm produce should be stored as much as possible in producer hands through his own co-operatives and fed to the market in an orderly manner.

Mr. Chairman and members of the Commission, we realize that there are many influences on the price spread from producer to consumer that co-operatives cannot change. However, we are firmly convinced:

- (a) that we do reduce the price spread by return of patronage dividends.
- (b) that we do act as a contravailing power on behalf of producers, against big business, with resulting fairer prices and





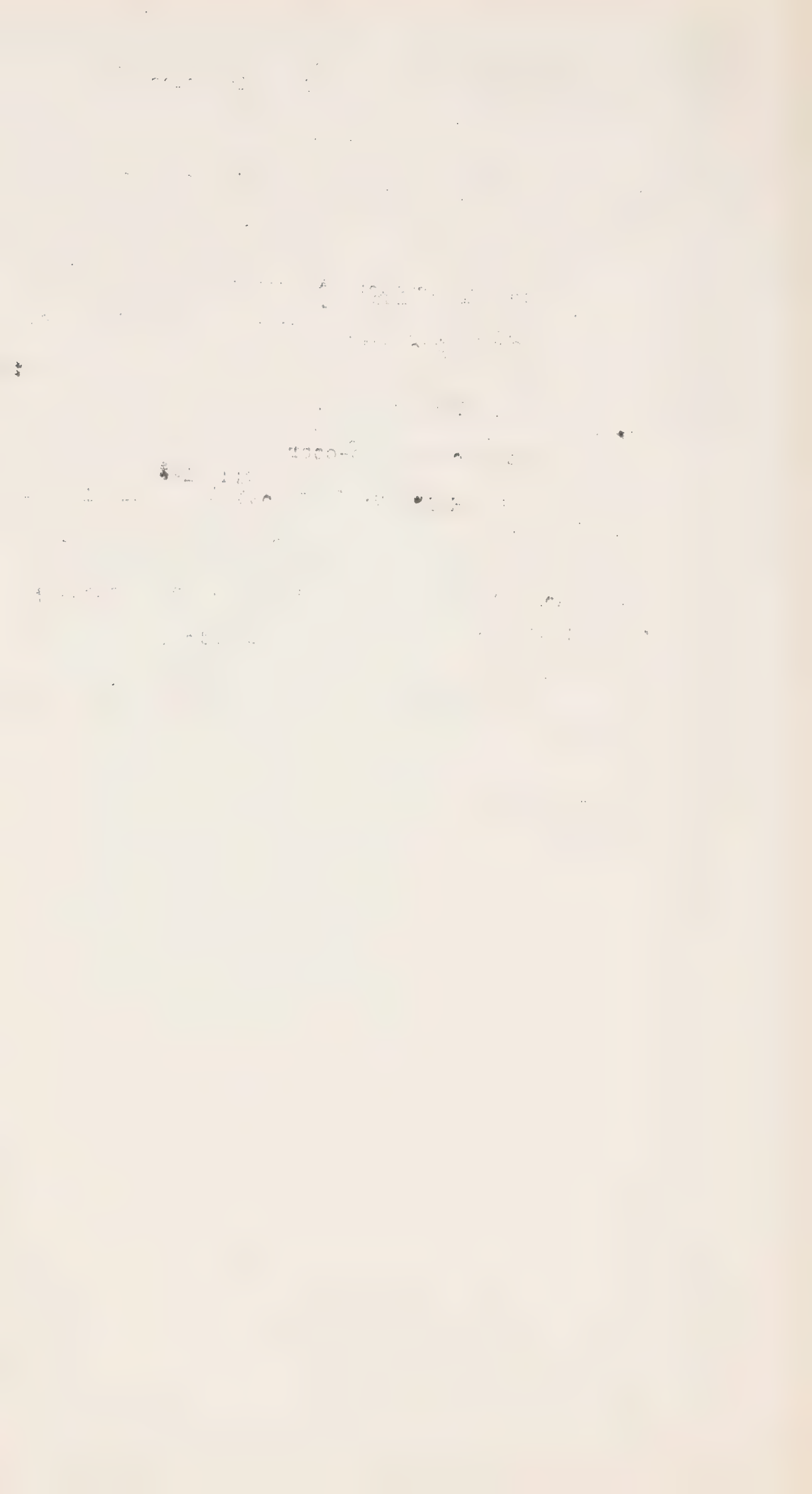
marketing practices.

- (c) that we do more orderly feed the farmers' product to the market and thus help prevent wide fluctuations in price and speculative gains.
- (d) that we do improve quality of the product and reduce waste by farmers own handling of the product because it is to his interest more than anyone else to so improve.

MR. WILKEY: Mr. Chairman, that concludes the submission of the Co-operative Union.

THE CHAIRMAN: I would like to thank you, Mr. Wilkey.

---A short recess.





THE CHAIRMAN: We will come to order.

Mr. Wilkey, my colleagues wish me to say to you that we are extremely interested in your presentation and we appreciate it very much. However, it may be difficult for us to ask questions in an orderly way and I think the best procedure to follow is that I would ask my colleagues, starting with Mr. MacKichan, to ask any questions and they may be directed to you or others in your group who presented submissions. I would ask Mr. MacKichan if he has any questions.

COMMISSIONER MacKICHAN: Mr. Chairman, I must say I agree with you that it is a little difficult to get started with this wealth and magnitude of material which is all very pertinent to the topic in mind. To get these briefs sorted out is not so easy.

I would like to say we appreciate the fine clear voices these gentlemen brought to the witness stand this morning because they have been helpful to us, to the audience and our reporters.

In the Co-operative Packers, on the first page you mention that the initial payment is usually the daily market price. What would change that basis of initial payment?

MR. INGLIS: Well, Mr. Chairman, the answer to that, I think I can safely say that in the past year our books would prove that we have paid







the daily quota price. Now, there may be exceptions, but we say "usually". Sometimes the market will fluctuate from 25 to 50 cents and perhaps we are on the lower or upper end but our books will substantiate the fact that we do pay the price.

COMMISSIONER MacKICHAN: The market at the moment was a bit uncertain just at that particular time and following a good co-operative principle you would pay a safe market price and pick it up from there?

MR. INGLIS: Yes, that is what we try to follow.

COMMISSIONER MacKICHAN: On Exhibit "A" we have a dotted line very definitely inside all the way and narrowing the margin between this chart which resembles the one we have on the wall. You feel that is ---

MR. INGLIS: Are you referring to our Co-operative?

MR. MacKICHAN: This dotted line paying dividends in there?

MR. INGLIS: I think we feel that it is true in the case of most Co-operatives that dividends paid to farmers have not followed that line as closely as one line follows the other. It does follow, but over the years I think you have to take into consideration the increase in the members' equity would bring that line pretty well in.





COMMISSIONER MacKICHAN: On the brief of the Elgin Co-operative, you purchase your supplies from United Co-operatives of Ontario?

MR. IRVINE: Partially.

COMMISSIONER MacKICHAN: Except what is purchased locally?

MR. IRVINE: In Ontario we do purchase from other suppliers. The position of grain has something to do with that.

COMMISSIONER MacKICHAN: Freight rates are very important. You can follow that east but not back west?

MR. IRVINE: That is right.

COMMISSIONER MacKICHAN: On Item C you start with the words "buying, grading and marketing eggs"?

MR. IRVINE: Well, our egg business is a very small percentage of our business, a very small operation, but we do collect a few eggs from farmers and sell them.

COMMISSIONER MacKICHAN: I was just thinking of buying and marketing for members.

MR. IRVINE: It is actually a combination of both. We quote a price to the members and we in turn sell them.

COMMISSIONER MacKICHAN: You can see that what I was afraid would happen is happening -- I am jumping around. Now, the first brief we had, the





Co-operative Union brief, on page 4 we have in the latter words of "A":

"If consumers want special services they  
"should pay for them and not have the  
"agricultural producers bear the burden."

I was wondering if it was in keeping with page 5, about two-thirds of the way down, where you say the producers should share in the benefits.

MR. WILKEY: On page 4, in "A", we say:  
"We recognize that a price spread is  
"necessary; a service performed be-  
"tween producer and consumer has to be  
"paid for and is reflected in the price  
"spread."

We maintain, however, that the primary producer should follow their product as far as possible on the market in establishing processing facilities such as dairy plants, live stock packing plants, etc.

COMMISSIONER MacKICHAN: I was a little too far down the page:

"Furthermore, if there is an advantage  
"to be gained in a marketing of food pro-  
"ducts through processing of any kind the  
"farmer-producer has a right to share in  
"that gain."

I was just wondering -- should share the gain but not the expense?







MR. WILKEY: I do not understand the question.

COMMISSIONER MacKICHAN: On page 4 we have that clear, if the consumer is paying more for it the farmer should not lose out on the price he gets. There is an advantage to be gained in the marketing of food products through processing and farmers should share if they do the processing themselves?

MR. WILKEY: That is right, he should follow the product as far as he can.

COMMISSIONER MacKICHAN: But not the distributor who does the processing?

MR. WILKEY: Pardon me?

COMMISSIONER MacKICHAN: But not if the distributor does the processing?

MR. WILKEY: That is right.

COMMISSIONER MacKICHAN: One would follow the other, would it not? We might be getting into embarrassing questions here and it occurs to me that we have to take the good with the bad. That is all for the moment.

THE CHAIRMAN: Mr. Martin?

COMMISSIONER MARTIN: On page 4 of the main brief you mention that the spreads should be for essential and necessary services, that is 6-B of your brief, and some of those services are mentioned in 7, like processing, packaging, wrapping, freezing,





storage, transporting, advertising. You mention specifically essential and necessary services?

MR. WILKEY: What I was indicating there was in a case where possibly there are four or five milk rigs on the same street and that is an unnecessary service, having that number. It could very well be just two or three, and, therefore, decrease the price spread the consumer is paying, the cost of having that number of milk wagons on the same street.

COMMISSIONER MARTIN: And you consider that as a wasteful, unnecessary service?

MR. WILKEY: It is an unnecessary service having that number. Now, we do agree that it is a necessary service to have that available to the housewife but possibly in not such a large number.

COMMISSIONER MARTIN: On page 6 of the same brief, "A" and "C", you mention the investment of the Co-operative member to build the equity or help finance the development. Do you consider that investment made by members in a Co-operative out of his dividends something different from investment made, should I say, non-cooperative corporations?

MR. WILKEY: I would say yes to that. The very fact that through this patronage which is deferred and reinvested back into his own enterprise, should the directors or members think the business





should be wound up or dissolved, the distribution of the surplus would be divided according to the rate of patronage done by that particular member over previous years.

COMMISSIONER MARTIN: In the supplementary brief given by Kimberley Co-op Creamery, at the bottom of page 5 you say:

"I feel the interest of producers and

"consumers would be better served if

"grades were maintained on butter direct-

"ly from producers to consumers."

Are you referring in there to reworked butter?

MR. RUDNEY: May I have your question again?

COMMISSIONER MARTIN: On page 5 you say that the interests of the producers and consumers would be better served if grades were maintained on butter directly from producers to consumers. Are you referring to reconstituted butter?

MR. RUDNEY: Yes, we maintain that a producers and consumers would be better served if grades were maintained on butter directly from producers to consumers. At the present day we have many brands of butter and they come to a large number and it is confusing for a consumer to choose which one is best because it is only named by a brand, No. 1 or 2. No. 1 butter, top-notch, or 43 score, 42 score, 40 score and 39 score is good butter. Our "GAY LEA" is a good butter and it should be so marked,







when the housewife purchases it, so she knows the exact grade of the butter. That was our idea in that.

THE CHAIRMAN: I was interested in this question too. Is that not a little confusing to refer to this as grading from producer through to the consumer, because the producer product is butter-fat and you cannot grade it in quite the same way as you can grade butter. I assume you are speaking of the movement of butter from the creamery when it becomes butter, to the consumer?

MR. RUDNEY: Yes, sir.





MR. COMMISSIONER MacKICHAN: May I ask one question to clear up something in The United Dairy & Poultry Co-operative brief? Am I right in assuming that this has been previously a department of the United Co-operatives in Ontario and it is now being organized as a separate co-operative?

MR. RUDNEY: Yes, that is right. The formation of the United Dairy Co-operative will be the facilities of the United Co-operative plus the merger of local co-operatives.

COMMISSIONER WALTON: May I follow up for amplification on the Kimberley Co-operative brief on section 5? I gather that you feel that if the score was added to each brand then consumers would more intelligently know whether they had the top of grade 1 and so on. But don't you think that would add to the cost? The Government regulations state that you have got to have Grade 1 or Grade 2, or whatever it is, on your butter wrapper, and there is a tolerance within that?

MR. RUDNEY: Yes.

COMMISSIONER WALTON: Then the more refined grading that we do would surely add to the cost?

MR. RUDNEY: I don't know. Score is actually marked up when the butter is originally graded, and it could be graded from month to month, and the score is always marked up. Now, No. 1 butter, 39 score -- if you can buy butter No. 2, which is a





lovely butter -- how does the housewife know she is getting No. 1 butter? Some are doing it now, but the only way you can identify a good butter is by experience of buying dairy butter, which has over a score of 40 to begin with. Mostly it is exhibition butter.

COMMISSIONER WALTON: May I ask another question, Mr. Chairman? I gather, and I think that is the premise of quite a few of the briefs, including the original one, on Section 4 of your major brief, that primarily the Co-operatives feel that they narrow the spread between the producer, what he gets, and what the consumer pays because they are able to give this patronage dividend, and that gives a bigger return to your producer. But it doesn't benefit the consumer, does it? I mean, really your Co-operatives benefit the producer. I notice this in the brief, and I presume because consumers haven't entered into food co-ops -- is it because it is not attractive to them? Can you amplify on that?

MR. WILKEY: The development within the Co-operative movement in Ontario, I must admit, has been in the field of agriculture, a rural and community type of operation, as against a city or urban development. However, we realize that with the rapid development in the city areas there is a great potential there for consumer development, co-operative







movement in the cities, but the development always seems to have been based on agriculture.

COMMISSIONER WALTON: By implication, I would gather that they feel some of the Co-ops -- that the producer should follow their product through as far as possible. It would be to their advantage. Is it that you feel there would be some functions performed now, wasteful ones, or the producer who was in the distributing field could be more efficient?

MR. WILKEY: May I refer that question to Mr. Inglis?

COMMISSIONER WALTON: I think it was in his brief that I saw that.

MR. INGLIS: I am not sure whether I am going to answer this entirely to your satisfaction, but I will attempt it this way: I am a producer and I am also a consumer. I point out in my brief that we received \$ .67 of a dividend. I would also like to point out that as a consumer I also receive a dividend, from the consumer angle. So that I received a dividend on the products marketed as well as on the other angle. In other words, if you refer again to Exhibit "A", as a consumer -- I am thinking of a buyer of products, in this case grain. Maybe I am confusing with consumers -- but as a buyer, from our local Co-ops I have been able to reduce -- well, it is food prices, I am sorry -- but I am able to reduce my cost in buying products and also selling





products.

COMMISSIONER WALTON: I was trying to find out if you felt, through your Co-operatives, from the producer to the consumer, that there were efficiencies a co-operative could institute that were presently being handled by other agencies, and if I assumed that, can you say what agencies you would eliminate?

MR. WILKEY: What Mr. Inglis was indicating was that from the time the product goes to market until it is consumed, any surplus or gain on that product, if it were marketed properly, could be returned to him in the form of a patronage dividend. He gets a patronage dividend, and when he buys a product at the grocery store, any gain on the sale of that product is given to him in the form of a patronage dividend.

THE CHAIRMAN: May I try to formulate Mrs. Walton's question this way, which I think is the main point of the question. Let us take the consumers' co-operatives. Well, they say, "We buy at the same prices as other distributors buy, and we sell at the same prices, but while we do these things we are still able to return to the purchaser, the customer, something additional which we call the patronage dividends." Now, in some way or other this reflects some kind of savings in the retail function, and I think Mrs. Walton's question really is,





what is the nature of the savings which enable you to return these patronage dividends? How do you do the thing for less, apparently, on the basis of these assumptions?

MR. WILKEY: May I refer that question to Mr. Charles Haapanen?

MR. HAAPANEN: I am afraid I can't answer this question to the satisfaction of our producer friends here. In my learning, reading, where the consumer co-operatives are strong, there is a conflict often between the consumer co-operative and the producer co-operative. Large producer co-operatives have come to a stage where they control markets, and large consumer co-operatives have had to, in some cases, start their own farms. But I think in most general cases -- I was, several years ago, with a Scottish Co-operative, the buyer from Scotland and their board of directors here, and, as I recall him mentioning, they try to be fair in making their purchases, and in general they buy from the pool, which is the Co-operative, and also in their fish or cannery organizations they try to be fair in their prices. In my own thinking, of course, I try to buy as cheaply as I possibly can and try to sell at reasonable prices. So I can't answer that question any more specifically.

If our Co-operatives, if the consumer co-operatives get strong, I am afraid we will have lots







of conflicts with our smaller producer co-operatives.

THE CHAIRMAN: Well, I think this is fundamental to the problem. I will try to put it even more explicitly, and I am going to make assumptions in regard to the prices you pay for the products you sell, and I am going to make assumptions in regard to the prices of the products which you sell. Let us assume there is an independent proprietary store in Timmins and your Co-operative store. I assume you pay the same prices to the suppliers of your products, and your prices are the same as in the other store. Assuming that the independent operates within that price spread, that you operate within that price spread, but you return patronage dividends to your customers which is not paid by an independent. Well, in some way -- let us call this a saving you are able to effect. Well, in the case of the independent, this spread goes either to pay for the capital which is provided or to pay for labour and labour services or to pay for other supplies which are necessary to carry on the business.

Do any of these savings come out of the return to capital? Does the capital provide it? Does the Co-operative get a lesser return than the capital return that is provided in the private business? Is there any saving there?

MR. HAAPANEN: If I understand that





question right, my answer is that the capital must certainly have its return. Now, how much of a return is another question. If you have sufficient capital to operate, I think you can operate more efficiently, more efficient equipment; you haven't got all the interest to be met which many of the consumer Co-operatives have difficulty in doing. Whatever savings are made, we have not paid any dividends or interest on the so-called capital. We have all distributed out of purchases. Our original capital was only \$1260; our capital now is somewhat around \$100,000 -- more than that. Most of that has been accumulated from savings made in consumer purchases. Some of it has been retained as operating capital, which is to the consumer interest, and the other has been returned as patronage dividends. Does that answer your question?

THE CHAIRMAN: Well, on the surplus which is retained in the Co-operative and not paid back as patronage dividends but is retained, you are not, in fact, paying interest?

MR. HAAPANEN: All our reserve -- we might call that a community fund. It belongs to our members, but when the members withdraw that money is not taxed; that is our reserve that is not taxed. Their capital has been paid out to them, but that has been all accumulated from the patronage dividends.





THE CHAIRMAN: Let me try a second specific question. Do you pay the same wages to labour as corresponding private businesses? Do your executives get as large salaries? On this labour side are there any savings?

MR. HAAPANEN: I am the highest executive in our organization. I have never asked what the other fellows get in the same size of business, but I have been getting along very well. I have started very small and, of course, the cost of living has increased, and I couldn't say what the other stores are paying. But I would say in general we pay the same -- not in the way of what the chain organizations pay in the \$10,000 and \$50,000 and \$100,000 class, no; we are away below that \$10,000 class.





12  
/12

THE CHAIRMAN: Well, there is a very possible area in which savings can be effected, and that is in the nature of the services provided: do you think that your Co-operative provides comparable services, and Co-operative stores generally provide comparable services to the buyers of services as those provided by private firms -- or, is there a saving?

MR. HAAPANEN: I think we supply, perhaps, more service than our chief competitors in Timmins. We started back in 1931 in the communities with credit and also deliveries. In those days chains were even selling on credit to a few customers; I don't think it was general, but they had credit accounts. We still continue a credit policy and delivery policy, which is a service, and, as far as I can say, our prices are pretty well the same as our chief competitors.

COMMISSIONER WALTON: What about promotional -- because you have members and non-members at the consumer level, don't you?

MR. HAAPANEN: That is right.

COMMISSIONER WALTON: Do you advertise as much as your competitor? Is there any saving there, or do you feel you have got a built-in part customer trade through your members so that you don't need to expend as much on advertising?

MR. HAAPANEN: No, we have naturally a backbone in our organization. I think every







Co-operative has good members, and others who are there only for the service and the saving they get out of it, who don't care if it is half a cent or one cent lower; they will wear their shoe leather two cents to get there. On the whole we haven't done sufficient advertising and sufficient educational work to get more, but we had to do a certain amount, I think, in order to stay at the level we are at. We don't advertise quite as heavily as our competitors. I think a lot of that is a waste of money; we try to eliminate it as much as possible.

COMMISSIONER COUVRETTE: I have a question for Mr. Wilkey. What is the tendency as far as paying the dividends goes: is there a tendency that they are getting lower or higher, as far as food prices go?

MR. WILKEY: Patronage dividends are based on net earnings made from operations, and there are quite a few factors involved in arriving at a net earning in an operation, and patronage dividends are paid on that basis.

We have two different types of financial structure: the share capital type, as compared to a member loan type, and I would like to answer Dr. Stewart's question on interest-bearing patronage dividends. That is defined at the local level by the local board of directors -- whether or not they shall pay interest on patronage loans. In some





cases, in the share capital structure the Co-operative has authority to transfer patronage loans to unissued shares of capital stock in the organization. In the member loan type of structure, patronage loans can either be paid in cash, depending upon the balance sheet of the business, or credited to the members' patronage loan accounts, which may or may not be interest-bearing.

COMMISSIONER MARTIN: Is the rate of interest determined before the operations, or at the end? If I remember correctly, you were saying the rate of interest in the Co-operative has been determined before the beginning of operations?

MR. WILKEY: No, the rate of interest for patronage loans is calculated following the year-end operation, and is determined by the members at their annual meeting. The board of directors may recommend to the annual meeting that a certain dividend or interest be paid on the net earning, but the members have the authority to veto that and put the entire amount into reserves, or declare themselves a patronage dividend. It is at the members' discretion.

COMMISSIONER COUVRETTE: Perhaps I should ask the question in a different way: has the percentage of net earnings a tendency to get higher or lower?

MR. WILKEY: It is a very good question.





We have so many diversified types of operation in Ontario, it is rather hard to answer the question. Generally, I always say that the rate of patronage has been fairly consistent in local groups. It does not vary too much unless there is some form of catastrophe suffered by one particular Co-operative in one particular area. If you refer to Mr. Archie Irvine's balance sheet, you can see that over the past years -- the last five years -- the dividend has been fairly consistent at 3 per cent.

MR COMMISSIONER COUVRETTE: Yes, but you are answering on the dividends, and I am still coming back to the earnings, because if after all your efforts to lower the margin the net earnings show a tendency to be different, the same trend should show for the last few years -- to the other type of distribution. That is why I am asking, as a matter of information, if you can answer whether the net earnings as a whole, after all those efforts by the Co-operatives are made to lower cost as much as possible, have a tendency to get bigger or not.

MR. WILKEY: Yes, I would answer "Yes" to that. The business as transacted in a local Co-operative has been on the increase, and in so doing automatically increases the net earning.

COMMISSIONER COUVRETTE: Of course, I am referring to the percentage basis as compared to the volume of business done.







THE CHAIRMAN: Would you know whether the percentage of gross sales volume, which is represented by net revenue, has been rising or falling over the past five or six years?

MR. McLEAN: Well, I would think I would say that the retail at the local level is about holding its own. That depends somewhat on economic conditions, but I think I would say that as we get further into manufacturing that the margins are wider -- that the net is greater. I would say that would be our estimate.

COMMISSIONER COUVRETTE: Just one more question: on page 5 of the main brief it is said that the ideal situation would be to handle food from top to bottom -- that is from the producer to the consumer: if such a situation developed in the food business, and if it is the ideal situation in this field, I suppose it would be the ideal situation in just about most fields where it is possible to have Co-operatives -- whether it is food or not. Then, what would happen -- or, is the situation where corporation taxes that would not be paid -- has that been studied as far as the spread is concerned? That is, after all it is the consumers who pay the taxes, and if through Co-operatives the ideal situation materialized, what would happen as far as government income from corporation taxes is concerned? In other words, would you still claim the





consumers would gain so much, or would they have to pay more taxes individually some how?

MR. WILKEY: It would be a saving as far as the consumer member would be concerned, because the Government under its present legislation recognizes the need for a housewife to shop as economically as possible, and therefore has exempted from taxation all patronage returns paid them from consumer outlets; it is not taxable.

COMMISSIONER COUVRETTE: Yes, but the Co-operatives would deprive the Government of important income that they get from corporation taxes, wouldn't they? A Co-operative system would do that, and that, in effect, would have to be found somewhere.

MR. WILKEY: The Co-operatives are required to pay the 20 per cent federal income tax, the same as applies to any other corporation, and on top of that they are required to pay 11 per cent of the net taxable income to the provincial government under the Ontario Corporations Act.

COMMISSIONER COUVRETTE: Well, I know that Co-ops are paying certain taxes, but I suppose we can both agree they are not paying taxes on dividends?

MR. WILKEY: Not on member business, no.

COMMISSIONER COUVRETTE: They would be the profits of an ordinary corporation?





MR. WILKEY: Well, I am not familiar with the legislation.

COMMISSIONER MacKICHAN: The farmer who receives refunds for some of his farm products has to declare it in his income?

MR. WILKEY: Yes. We were speaking primarily of consumer Co-operatives.

MR. HAAPANEN: Mr. Chairman, may I suggest that when the income tax law came into effect I don't think the idea was that corporations should be collectors of tax, but that is what has come about now. Large corporations make sure they get a certain dividend after their income tax.

I have a document here which I do not want to leave as an exhibit, but it was given to me the day before I left: a food organization which has a \$1 billion, 88 million, business with an income of more than 10 per cent; their net earnings were more than 10 per cent. So, there is quite a spread in there for a manufacturing organization having more than 10 per cent profit. Yet, after the taxes, they still have almost 5 per cent left over. There is no independent retail organization or Co-operative which makes that much profit.

COMMISSIONER COUVRETTE: I am not discussing that part of it. I just want to find out what your reaction is to the fact that if we had this ideal situation described in this brief, that





whatever amount is paid in taxation by a corporation, part of which is not paid by Co-operatives, it would have to be paid by the consumer, and when you say you save that part of the earnings for the consumer, do you take into consideration that if the ideal situation developed they would have some how to make up for the lower government income, as consumers, and therefore they would pay as much spread, and it would become part of the spread, really?

MR. HAAPANEN: I think I know what you are referring to. I simply say that no organization should pay income tax -- I do feel they have to pay income tax on their profits, on what they do distribute. However, the way it is now, the taxes are actually hidden in the price: our income tax, and everything else, the consumer pays for it. It is hidden in the price. We, as consumers, would have to pay that tax, certainly, for the government to run the country's business, and perhaps the politicians would not spend so much when the consumers came to know how much their taxes actually are.

COMMISSIONER COUVRETTE: Anyway, the consumers would have to pay a tax.

MR. HAAPANEN: They will have to eventually.

COMMISSIONER COUVRETTE: So, the spread is not as wide as it seems to be when you claim the







fact that you distribute payment as dividends and that there is a diminution of the spread.

MR. HAAPANEN: Well, in the case of Cochrane I don't think it differs any. There is still a spread.

COMMISSIONER COUVRETTE: Yes.

MR. HAAPANEN: And they have paid their taxes on the goods they have bought from the Society, because the consumer has to pay. The consumers' Co-operative buys from independent organizations, and we have already paid that tax to them, and the manufacturers then makes up the payment.





COMMISSIONER COUVRETTE: Yes, but I suppose we can agree that it would not diminish the spread that much where the consumers would have to pay a higher taxation if we were only under a patronage dividend system?

MR. HAAPANEN: Perhaps not that much, but some.

COMMISSIONER COUVRETTE: Just one more question on the Kimberley brief: it was mentioned there was a dividend of so much on eggs in 1957. I do not suppose this is the first dividend that was paid by that Co-operative; patronage dividends were paid before although they are not mentioned?

MR. RUDNEY: Perhaps I can elaborate on this and I hope I can explain it clearly enough for you. The Co-operative principle is a good idea, it is a very good idea, but it is no good until it is put to use and two hundred farmers had this idea at Kimberley ten years ago that they could reduce the spread between the consumer and the producer by serving themselves and the Co-operative member. This proves that it was a good idea because the two hundred members started off with an initial investment of \$10,000 and in 1958 when our last audit was made we have a fair capital built up of \$43,350. We have paid in patronage alone to farmers to narrow the spread, \$250,000 and we have redeemed shares of \$10,920, thus reducing the





donational spread that would have been had the operation been carried out by an independent organization. The original members, consumers and producers would have all this extra revenue so it is income that has been built up above the cost including all taxes that a Co-op has to pay. We even pay taxes on our reserves. That is, we are allowed something like 15 per cent of our share earnings. We do not pay for that, that goes to loans, but if the directors wish that we should have more reserves or our dividends were big -- often we have reserves of \$13,000 -- each time we withdraw that from the net earnings we pay, I cannot name the exact amount, but it is a substantial tax, quite a substantial sum to the Government.

Now, the question arises that maybe a consumer is not benefiting or paying some of the prices that the Co-operative will not pay. Our net earnings for that last ten years have been \$143,310. This is owned by the members of the Co-operative, Kimberley District Co-operative. How much it would be narrowed, the spread in the everyday current prices, that is a very substantial sum. The everyday price we have paid to our producers to reduce the spread was 2.93 cents. We have paid as high as 5 cents back to the producer and as low as 2 cents.

I might say this off the record, before the Co-ops came into operation it was 5 cents -- that







is 5 cents below the price of butter -- but since the Co-operatives across Canada, including Ontario, began the practice to Co-operative members the situation has been reversed. Today we are paying to the producer 67 cents for a pound of butterfat and the Government support price for butter is 64 cents. Even with this competition the initial price of the product has not been increased to the producer.

Does that explain it?

COMMISSIONER COUVRETTE: Thank you.

MR. RUDNEY: May I take just one more second? The question primarily was about this price on the taxes?

COMMISSIONER COUVRETTE: No, let us not go back to that question. My question was only, was the first dividend paid in 1957 or did you ever pay dividends previous to 1957?

MR. RUDNEY: I am sorry, our first dividends were started in the fifth year of our operation. Prior to that any income we had had to go for debts the members had to make loans from the Government.

COMMISSIONER COUVRETTE: When did your operation start?

MR. RUDNEY: In 1947.

THE CHAIRMAN: Mr. Kidd?

COMMISSIONER KIDD: In the Timmins submission, on page 6, there are quite a few points that would make interesting discussion but we do not





have too much time. I will take Point 4, discussing the question of who should pay for expansion, and you say:

"The consumer does not profit from expansion."

Now, do you mean by that that you are thinking only in terms of an additional number of outlets or are you thinking in terms of the size of the outlet?

MR. HAAPANEN: Even though I am not paid as well as many of the corporations, I have half a dozen shares of some of the companies and there always seems to be in the report that so much has to be paid for expansion. I am referring now to the Bell Telephone. They want high rates because they are building more lines. They still have high dividends, high profits. My reference here is definitely that I should not have to pay higher telephone costs in order to have that expansion. I am talking now as a non-shareholder.

COMMISSIONER KIDD: I am thinking in different terms. I am thinking as is said in one of the other submissions here that as size of operation increases there should be some savings from the size and efficiencies. Are you suggesting in this particular case today we have reference to that the consumer does not get the savings, there is no lowering in price even though there is the expansion programme going on and even if the outlets





are there?

MR. HAAPANEN: I say definitely if an organization gets larger there is a point, when they get to that point there is a saving, but beyond that perhaps there is not so much of a saving and you get to that point, particularly the consumer Co-operatives, that the saving is for the consumer. Now, the consumer naturally, if it is his organization, he should invest that for that purpose of getting that increased size. In the same way I would say an independent, he has to get that money from some source rather than charging higher prices in order to get that larger building. Does that answer it?

COMMISSIONER KIDD: What you are saying is the consumer is not benefitted from the increase in the size of the outlets; that is what you are saying, is it?

MR. HAAPANEN: In a general sense, in a large organization, no, he does not.

THE CHAIRMAN: Mr. Dummond?

COMMISSIONER DRUMMOND: Mr. Chairman, since I have to select one question from a possible one hundred or more I am wondering just which one it should be. This will be an extremely general question and anybody in the group of nine may feel entirely free to answer it. Since, as your evidence indicates, consumers' Co-operatives have thus far virtually not developed in this particular province apart from





limited areas in Northern Ontario, I presume we must conclude that any spread-narrowing effect as a result of Co-operative action in this province has been the result of price raising at the producer end rather than price lowering at the consumer end. Would that be a sound conclusion? If everyone agrees to that, if I might add a supplementary question.

Is there any definite assurance or guarantee or certainty that by the same fact that you are able, as you have indicated, to raise prices to your producers, you thereby do in effect narrow the market spread, the spread between what the farmer gets and what the consumer has to pay? In raising your price at the farm end through Co-operative action, are you in effect assuming that that increase which whoever it is who buys from you has to pay, that that increase will not be pushed forward and eventually land in the consumer's lap, or are you assuming that somehow or other there will be a narrowing effect take place in between?

MR. McLEAN: Well, Mr. Chairman, I think that I am right in saying that when we return the patronage dividends to the producer the producer is getting more for his product and it therefore follows by the chart that we do narrow the spread. That fact seems to be established, that we do narrow the spread.

Now, as to which end we benefit most, the







producer or the consumer, of course everyone is a consumer in the final analysis and I do not know. In fact, from the farmers' standpoint, and being a farmer, the farmer problem is a social problem that has got even the Government stopped as to how to solve it, and I think anything extra to the producer at this time will be of benefit to the economy. It is true, as far as the consumer is concerned, if he got his food cheaper that would be of benefit to the economy too, but I do feel very definitely that it does narrow the spread. I cannot just follow you, Mr. Drummond, when you say that might be some time passed on to the consumer. What we are investigating here is narrowing the spread and whether we are farmers or city people we are all consumers and we are narrowing the spread. The Co-operative is a service of cost; if the charges are in there they are returned somewhere either at the consumer Co-operative level or the producer Co-operative level. As far as the Co-operatives are concerned their financial statements are an open book. As to the Utopia that Commissioner Couvrette refers to, I will not comment on that.

COMMISSIONER DRUMMOND: Just one further comment: I would like to get the general reaction of the group to this general observation. You have all advanced very effective evidence today to indicate that savings have actually been made by operating Co-operatives, at least for the members. What





I am going to suggest is this, just to see how you react to it: many people contend that savings by Co-operative members in the form of patronage dividends while quite large, and you have given some figures, are actually relatively insignificant compared to the gains which are obtained by producers and consumers in general and which result in the employment of Co-operatives in the nature and degree of price competition. What is the general reaction?

MR. McLEAN: Well, Mr. Chairman, I would agree with that.

COMMISSIONER DRUMMOND: Finally, you have indicated that your action, your Co-operative action, has done at least something to keep spreads narrower. This picture on the wall, however, indicates, particularly in the last few years, that the spread has become wider and has continued to widen. Does this in your opinion suggest that we need something more, or different from Co-operative action, or simply that we need more Co-operative action?

MR. McCAGUE: I think we feel that we need more Co-operative action. We think that in some areas we have been more effective than in others, that is particularly in dairy and poultry operations we have been more effective. This matter of where the price is established is a great problem to us, whether it is retail or whether it is





developed by the producer or processor or retailer level. We wonder if that does not change in the same product. We have a case of fresh peaches where they sold -- the negotiated price was 65 cents and they were sold as low as 59 cents, which indicated a loss leader and yet the net profit became a processor profit no longer in the hands of the producer or the consumer. As we get into the various sides of processing we can act as a stabilizing influence on the entire operation or that with which we are dealing. We think Co-operatives must go a great deal further and we feel that consumer and producer alike are giving more recognition to that and we hope the time will come when we can see a narrowing of those lines.

COMMISSIONER DRUMMOND: What would you say to this: it has been suggested earlier, I think by yourself, that at least some move in this province in the direction of Co-operatively-controlled or instituted increase is ever needed or is actually under way, do you think there is any possibility for Co-operatives to really integrate the various functions from the start of production to the beginning of consumption with these apparent divergencies in interests between the producers' Co-operatives and the consumers' Co-operatives to be eliminated?

MR. McCAGUE: To be eliminated?

COMMISSIONER DRUMMOND: Yes.







MR. McCAGUE: We think this matter will never be solved unless the family farm is retained and I think we will all go along with that thinking which indicates that it must be operated from the bottom. On the other hand we in the Co-operative movement are not hesitant to meet competition. We meet competition and perhaps in the overall economy that will give us the most healthy result. I do not believe we have reached the Utopia that has been discussed, but we will as time goes by perhaps be a much greater influence than we are. We are hopeful, as I suggested before, that consumer and producer alike realize that and will support the movement in a greater way.

THE CHAIRMAN: I am afraid I must have asked my questions earlier. We will adjourn now and reconvene at two o'clock.

I want to thank you gentlemen very much for the efforts you have made in organizing this presentation and for the information you have given us and the courtesy you have shown in answering our questions.

---Whereupon the Commission adjourned at 12.45 p.m.  
until 2.00 p.m.





---On resuming at 2:15 p.m.

SUBMISSION OF THE CANADIAN ASSOCIATION  
OF CONSUMERS  
(Ontario Branch)

THE CHAIRMAN: Come to order, please.

The first brief this afternoon is on behalf of the Ontario Branch of the Canadian Association of Consumers, and it will be presented by Mrs. W.A.C. Shepherd, Provincial President, and other ladies with her.

I think this will be Exhibit number 50.

EXHIBIT O. 50 . Submission of Canadian  
Association of Consumers  
(Ontario Branch)

I understand you have with you, Mrs. Shepherd, Mrs. V. P. M. Kennedy, Chairman of the Committee which prepared this statement, and also Vice-President; Mrs. A. H. McIntosh, Vice-President of the branch, Mrs. Allen Kennedy, Programme Convenor, and Mrs. Edwin Fullerton, Member of the Executive of your branch. We are glad to have them associated with you in the presentation of your brief, and if you would like to come forward now and present your brief.

MRS. SHEPHERD:and MRS. JAMES O'SHEA:

Mr. Chairman, Mrs. Walton and gentlemen,  
The Ontario Branch of the Canadian Association of Consumers (Membership--approximately 13,000, representing through organizations--approximately 200,000 women) submits this brief for three reasons.





I. To present our interest in maintaining fair prices and our attempts to combat increasing food costs with special reference to the price of meat, milk, fruit and vegetables.

II. To forward criticisms and complaints of our present economic practices which seemingly result in unnecessary costs.

III. To ask if rising prices and all aspects pertaining to them are creating health problems.

MEAT During the last five years our association has studied in detail the marketing of meat with special emphasis on meat inspection and meat prices and has presented briefs to our provincial government. Similar studies have been made about milk and other foodstuffs.

In Ontario as in other provinces it is difficult, in fact almost impossible, for a layman or indeed for an economist to break down the price spread in meat. A short thesis that follows on cattle in Ontario will be helpful in proving the above statement.

A. Cattle Population: The number of cattle other than milk cows on farms on June 1st has been in millions as follows:

1951 -- 1.5	1955 -- 2.01
1952 -- 1.78	1956 -- 2.00
1953 -- 1.94	1957 -- 1.96
1954 -- 1.97	

Milk cows in millions:

1951 -- .92	1954 -- 1.05
1952 -- 1.01	1955 -- 1.06
1953 -- 1.07	1956 -- 1.05





Since the second world war the trend has been to dairy cattle and an increase in the size of our herds. Both beef and dairy herds are larger. Farms are somewhat larger and farmers are able to produce more foodstuffs for feeding their own cattle. It is incorrect to believe that dairy herds are being slaughtered and replaced by beef herds. Our provincial government states our increased population is demanding more dairy products. However, in Eastern Ontario because of the low price of cheese and concentrated milk, dairy herds are being replaced by beef herds while the opposite is true in our western counties. The true overall picture shows that a change toward specialization and larger herds is taking place -- not a definite movement from dairy to beef, or vice versa.

#### E. Ontario Cattle Breeds

- (1) Beef cattle: Shorthorns, Herefords, Aberdeen Angus
- (2) Dairy cattle: Holsteins, Ayrshires, Jerseys, Guernseys
- (3) Dual Purpose: Shorthorns and Red Polls, these as the name implies possess both milking and beef characteristics.
- (4) Very few farmers maintain pure bred herds, the majority of the cattle are cross breeds.

#### C. Methods of Sale

- (1) A moderate percentage of the beef sold to retailers is in the form of carcasses or sides.
- (2) Selling prices are reported in the weekly live stock and meat trade report. Farm reports on prices over C.F.C. inform farmers sometimes daily on area market prices.







- (3) Many butchers purchase their supplies in the form of wholesale cuts such as loins, hips, chucks, etc. Prices at which cuts sell are not published regularly.
- (4) Very few hog carcasses are sold as such, due to the fact that fresh and cured cuts (hams, loins, bacon) are bought by the butcher.

D. Prices

- (1) The July 1958 issue of trade reports stated that choice steers were selling at \$24.00 per cwt. and this was 42¢ to 44¢ per pound.
- (2) Mark-up. The apparent high mark-up of the packer is broken down in varying and various ways. A carcass from a 1000 pound steer will weigh about 550 to 580 pounds depending on the yield which equals little more than the cost price of the steer.
- (3) The packer, however, in his favour, still has the hide, liver, heart, tongue and other by-products, most of which have some commercial value.
- (4) Each packer and each dealer controls his own mark-up and the wise consumer appreciative of competitive prices watches prices in various shops and also in various cuts of meat. There are seasonal changes (certain cuts are more popular in the summer), other times for no apparent reasons the demand for steaks is great and not so great for pot roasts. Consequently the price of pot-roasts is reduced. Then too, as in other businesses, once the dealer makes a good profit on his whole purchase he sells his remainder cheaper.
- (5) The price of beef in each province is affected





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

trade with other countries. The Reciprocal

tariff arrangement between Canada and the U.S.A.

tends to create a close price relationship. Higher

prices in one country stimulate the flow of live

stock to that country. Cattle has shipped from

more cattle to the U.S.A. than have been imported

from that country and the reverse situation has

been infrequent.

(c) In the meat picture supply and demand, as of

now, lay a part as to floor prices which are set

by our Federal Government.

#### Conclusions:

(1) During the period when our world economic

structure is undergoing rapid changes detailed

information on all phases of the meat industry

is needed for the research workers and business.

The efficient worker today is an informed business

man.

(2) Meat farmers need more and more education

from their government (through all departments)

which in Ontario is doing domestic work. In this

category I think of Agricultural Colleges, Women's

Institutes, Farmers' and Junior Farmers' clubs,

and radio broadcasts and the numerous publications

from the Ontario Department of Agriculture.

(3) Efficient house wives are interested in com-

petitive prices and value for their money.

(4) The housewife enjoys the personal interest of

a butcher, especially the large chain store





have recalled the meat counter. This counter is presided over by an experienced butcher interested in his customers' needs and preferences.

(5) Although the ~~dealer~~ is prone to advertise the fact that he sells the carcass of an animal for the same price as he buys it, the Canadian Association of Consumers recognizes that the significant point is the price spread of the cost of the animal and the sale of all parts -- including meat and by-products. If that price is too great then the price of meat is too high.

MILK The price of milk is under constant watch by our members in all areas. The members, especially those women in the country areas, find the Monthly Dairy Report of the Statistics Branch of the Ontario Department of Agriculture a helpful survey. In June the average wholesale price of creamery butter in Toronto was 61.9¢ and in May it was 62.7. The Consumer price has been 67 to 70¢ during those months.

We do not propose to present in detail our studies about dairy products but rather we shall make a few observations which we hope will be helpful to the commission.

Commercial dairies in Ontario averaged \$4.92 per cwt. in May 1958 and \$4.77 in May 1957. It is apparent that the variation in price did not warrant the increase in the consumer price.







I would like to digress just for a moment from the brief. With regard to the use of a "formula" based on the cost of things the farmer has to buy and pay for, which includes labour costs, the Canadian Association of Consumers feels that such formula should take into account other factors, such as the fact that there is much greater productivity in practically every phase of primary production to-day as compared with a couple of decades ago. For instance, the average annual yield of milk per dairy cow has increased from 3,500 lbs. to 5,500 lbs., while efficient dairymen are getting much higher yields, even up to 7,000 lbs., and in some exceptional cases it has been even higher than that. The Gordon Report suggests that this trend is liable to continue, and therefore the Canadian Association of Consumers feels that any formula used should include these factors as well as cost of what the farmer buys and the price paid for his products.

The following statistics we think are significant:

- 1941-55 - butter and cheese production has decreased.
- 1941-55 - milk consumption has increased from 15 to 35.5.
- 1941-55 - population has increased in Ontario from 3,788,000 to 5,183,000.

Is the consumption increase comparable to population increase?

#### Consumer Resistance

Two examples of Consumer resistance will illustrate





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

attempts to keep the price of milk down.

1. In North Bay when members of our association realized that the price of milk in that area was to be increased by 2¢ per quart in June of 1957, due to a price increase awarded in May by the Ontario Milk Board, a delegation of the Ontario Canadian Association of Consumers members appeared at the re-hearing before the Board at which this award was to be appealed. As a result of the re-hearing the price of milk in the North Bay area increased only 1¢ per quart and the basic price to the farmer was set at \$5.00 per cwt., a fair increase from the original basic price but less than the award of the hearing in May.

Observations: Our members saw at that meeting of the Ontario Milk Board:

(1) Democracy at work. Whether well-informed or mis-informed, all representatives had opportunities to state their views before their chairman who in this instance was a judge.

(2) The farmer who is able to provide statistical data about his own farm costs is invaluable.

(3) Careful study of such statistics would eliminate the necessity for prolonged discussions at Government hearings.

II. Our second example is from Toronto.

The advent of an American Company that has by the use of 3-quart bottle containers distributed through our cash and carry shops lowered the cost of milk





to careful purchasers.

The cash and carry cost of 3 quarts is 57¢-- the delivered price is  $3 \times 24 = 72¢$ . The original deposit for the 3-qt. bottle is 15¢ and 5¢ for the glass quart bottle. A thriving trade in smaller quantities is also in existence with a differential of 2¢ per quart for consumers who prefer to carry smaller cartons of milk. In one butcher shop a well displayed sign reads:-

"2 quarts of milk for 37¢ with meat order, delivered."

### Conclusions

- (1) The cash and carry system assists two age groups -- the younger and the old. Those on fixed incomes and old age pensioners who should have milk in their diets welcome this opportunity to guard their small incomes.
- (2) Some large dairies have re-created the milk-man into a business-man. As a result of numerous milk price disputes and changes many so-called milk men now own their delivery trucks and purchase their supplies of milk from one dairy. Thus we see the milk-man in his delivery truck and the butcher behind his counter in the chain store using business-like ability and frequently helping to decrease the price spread to needy clients.

Here I would like to insert or like to add a general observation with regard to milk, meat and poultry. Yields of field crops per acre have increased, the period for bringing egg-laying maturity





of poultry is much shorter to-day than it was; poultry meat is ready for market in a much shorter time because of better stock, better feed, better disease control and other factors.

Similar improvements in production and shortening of periods before market-readiness are true of beef and pork. They make it possible to raise more cattle or poultry, eggs, milk, on the same land and with the same or less labour. This, we feel, should off-set some of the increases in cost of labour per month or machinery, and other things that are needed for farms. But we have no statistical tables prepared to assist us in gauging their effect, and the only figures producers and their spokesmen quote are lower prices for the product (when this is so) and higher prices for all "the things farmers buy".

FRUITS AND VEGETABLES: We present an explanatory

information chart and brief report on apples as a background illustration of the consumers' problems, latent and obvious when buying fruits and vegetables in Ontario.

- I. Apples -- The enclosed table shows with frightening force that the consumer is in danger of losing any wide choice in the selection of apples. Although there are still more than 20 varieties being grown in the province, more than half of all the trees are McIntosh or Spy; with Delicious, accounting for 10% of trees, in third place, and all the







other varieties in very, very small numbers. The great increase in McIntosh and Spy production, at the expense of other varieties, is attributed to the method of merchandizing in the large Food Chain Stores, which makes it imperative to limit the number of varieties displayed, while the enormous size of their orders tends to influence the grower as to what varieties to grow.

To the many hundreds of relatively inarticulate consumers who are concerned about this development, it may come as a ray of hope to report that the trend is altering slightly because of the good sense of many of the new Canadians who have come to the area of Metropolitan Toronto in the past few years. They know that flavour and quality are not the prerogative of red apples only, and they are seeking for the yellow, the green, and the tart varieties, with which they have been familiar. Some of the new-comers are setting up their own fruit stores and by searching out these varieties they are encouraging the fruit farmers in this area to keep and look after the trees which had been giving them no monetary return in recent years, and which were on the point of being removed. This encouraging change is reported by officials of the Ontario Food Terminal.

One cannot refrain from making a plea for some educational advertising on the part of the apple growers' organization, so that our younger





generation may be as wise in their knowledge and use of this wonderful fruit as these newcomers are.

It has not been possible to arrive at the amount of money received by the grower for" and the "cost to the consumer of" a six-quart basket of one variety of apples, since these vary widely until the end of the fall selling. The price to the consumer varies according to (a) the supply of apples, which is governed by the season and by the import operations of the wholesalers, (b) the grade of the apple, and (c) the outlet at which it is purchased.

The amount received by the grower varies according to (a) and (b) above, and (c) according to the outlet, - directly to consumer, to a commission handler, to a chain store, or on contract to a processor.

An average difference of 25¢ would seem to exist at present between the amount received by the grower and the cost to the consumer, for a 6-quart basket of apples. The fluctuation in the apple market is caused sometimes by heavy importing on the part of the wholesalers, and by the enormous scope of the chain-store buying which does not carry any corresponding obligation to accept orders on delivery.

The grower has as many as 15 choices of ways to dispose of his apples, ranging from no handler at all (direct-to-consumer-sales), to as many as five handlers before the apples reach the





consumer. The fact that there are 1300 licensed dealers in Ontario for fruits and vegetables would seem to indicate that the consumer is paying for an unwieldy and cumbersome method of distribution. Farmers would make a bigger profit by lowering his price and selling more of them.

The consumer buying apples is offered three grades, Fancy, No. 1, and some C Grade, by the small bag or the six-quart basket. Most of the C Grade apples and those below that grading are sold to processors for apple sauce, pie filling, or juice. And because of the present emphasis on red apples, some of the finest cooking apples are going to the processor. The order of preference for processing for sauce and pie-filling is Spy, Greening, Baldwin, Stark, Elenheim, Ribston and Cranberry Pippin. For juice most packers insist on a blend of several varieties.

## II. Observations and Questions:-

(1) Consumers commend the development of cold storage, especially in relationship to apples which are now available at reasonable prices nearly all year.

(2) We have recognized for some time that the cause of the spread in packaged goods is the unnecessary fancy package and excessive advertising. We regret the tendency toward the same mistake in marketing our fruit and vegetable products.







(3) We feel that well graded staple non-perishable foods such as potatoes, onions, flour, sugar should be available in bulk with a corresponding reduction in price for those who prefer to buy in quantity -- to their advantage in price.

(4) There is an increasing awareness on the part of the consumer that a Price Spread Board would do well to look into the all too common monopolistic practices which reduce the supply instead of reducing the price -- and dumping the surplus in foreign countries.

Our consumers are convinced that with many essential articles of diet e.g., apples, lettuce, tomatoes, etc., both producer and consumer could benefit from putting a larger quantity on the market at a lower price.

(for Apple Chart see Appendix)

#### CRITICISMS and COMPLAINTS

This association studies creative constructive criticisms and complaints regarding our economic practices which frequently cause hidden seemingly un-warranted price increases.

(1) Women realize that advertising has become big business in our economy. Advertisers are geared to make desires necessities, this annoys careful shoppers. They also object to repetitive, frequently child-like and ever more blatant advertising. They say, "Why not reduce the price of the product and send out less literature which is not worth





reading." Consumers do not like paying indirectly for advertising in which some companies (detergents usually) compete against themselves in rhyming childish radio ditties and slap-dash TV drawings. We would like to have goods sold on the basis of quality and price rather than by pressure of costly advertising -- i.e., more informative advertising where there would be no need to create a desire for good merchandise.

(2) Women want household necessities wrapped simply. Today 3 pounds of rolled oats in an ordinary sturdy paper bag costs 29¢. A package of rolled oats, similar size with pretty printing which does not mention the weight is priced at 41¢.

(3) Consumers hope the premium and something for nothing period is nearly over. They seek the right to choose a package (containing toys, seeds, towels etc., etc.) or a similar package free from these so-called gifts.

(4) Foods that are usually sold in two or three packages for so much, could quite easily be packed in one package at less cost. Example: jelly powders and custart powders.

(5) City delivery service should be available to those who need or want it. The small grocers and the drug stores still continue delivery in their respective neighbourhoods.

(6) (a) Women feel that the corner grocery store





has a place in our community because of the advantages of (1) a grocer who is an interested adviser re prices and the quality of his products (2) personalized service (3) delivery service (4) extension of credit to customers (5) clerks who are usually well informed about their products. (6) (b) Consumers on the whole prefer specialized stores, e.g. they prefer to select books in a bookstore where the selection is wider; drugs from a druggist where knowledge of drugs is helpful. The corner grocer recognizes this fact.

#### HEALTH

Our members ask such questions as:

(1) Is the high cost of milk making it too difficult for mothers to feed growing children enough milk?  
Is the high cost of milk making it too difficult for older people on fixed incomes and old age pensioners to buy milk?

Milk consumption per capita volume has remained static in spite of our increase in population. The volume of milk has remained up because of our increase in the sale of cheese. Women know that cheese is high in food value and low in cost, yet nutritionists advise against substituting any food for milk.

Since such is the case, we believe that the price spread on milk should be scrutinized with special care and if it cannot otherwise be reduced, it may be cause to subsidize milk -- especially the supply





of milk to schools.

(2) Is the continuing high price of foods affecting the health of housewives by increasing worry and nervous strain?

Finally, we do advocate that detailed specific education concerning prices should be made available for re-search workers, farmers, business men -- and consumers -- and that housewives should be encouraged and given opportunities to offer constructive suggestions pertaining to prices. In our modern complex society based on an unpredictable world economic structure, two old thoughts remain in the minds of our women consumers, namely "a bargain is a bargain" and "competition is the life of trade."

In other words, when nature is bountiful the consumer should be permitted to share in that bounty in terms of lower prices. And in our free enterprise economy the consumer has a right to expect that competition will result in keeping prices down in close conformity with costs.

Long may freedom of thought, bargains and the competitive spirit remain with us!

The members of the Ontario Branch of the Canadian Association of Consumers extend their compliments to this Commission and respectfully submit this brief.







MR/10 THE CHAIRMAN: Thank you Mrs. Shepherd, and our appreciation to you and to the members of the committee who prepared and presented this brief. Mr. Kidd would like to ask you a few questions. They will probably be directed at you, but if you would like to pass them on to one of the other ladies, do so.

MR. KIDD: Mrs. Shepherd, are you serious when you suggest that there is no apparent reason that the demand for steaks is great and not so great for pot roasts? I think I can give you one or two very quickly. Seriously, there are a number of points in here and on the milk situation, are there many farm groups associated with the Consumers Association?

MRS. SHEPHERD: Yes, we have approximately 300 women's institute groups. We have a group membership as well as individual membership, and we have approximately, I suppose, between 200 and 300, more nearly 300 groups, and rural church groups and women's institutes, mostly women's institutes.

MR. KIDD: Associated with you?

MRS. SHEPHERD: Associated with us and we also have other rural members in branches.

MR. KIDD: Do women's groups have any feeling that dairy herds are being cleared off and replaced with beef herds?

MRS. SHEPHERD: I should like to refer that question to Mrs. McIntosh.





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

2591

MRS. McINTOSH: I just didn't hear your question.

MR. KIDD: Is there any feeling among the farm women's group that dairy herds are being replaced with beef herds?

MRS. McINTOSH: We understand that while that may be true in some places, yet in the Eastern part of Ontario there are more beef herds now than there are in the Western part, and in the Western part there are more milk herds than there are in the Eastern part. It seems as though the farmers are specializing according to their outlets.

MR. KIDD: Are small dairy herds being done away with?

MRS. McINTOSH: I don't believe so. There is a considerable mixed farming going on, where they have their farm and their chickens and their grain, and so forth. I don't believe that the small farmer is going out of business, or out of the milk business, but there are a replacement of one of the other in the different parts of Ontario but because of the outlet of their products.

MR. KIDD: One more question on that: do you feel that consumers are adequately represented on the Milk Boards?

MRS. McINTOSH: We have a representative on every milk board, I believe.

MRS. SHEPHERD: Not from the Canadian





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

Association of Consumers.

MRS. W. M. KENNEDY: Yes, that is right.

We are most anxious to have representation of the Canadian Association of Consumers on more than the Milk Board; in relation to all food products, and we have not a direct representative at present, I think.

However, in answer to your question about what the farm women think about the herds, the farm women are exceedingly well-informed through the Government publications which their husbands receive concerning dairy products, and the farm women are exceedingly helpful to the Canadian Association of Consumers. They are indeed a group that has worked with us from the beginning and not only in our Province, but in all the provinces in Canada.

MR. KIDD: In the statement, bottom of Page 2 you talk about consumer resistance. To what extent and in what ways has there been any consumer resistance to the material you set forth in your submission?

MRS. SHEPHERD: Well I think that we have found, as an example, that consumers have bought more milk in large containers or more milk at the stores since there has been a differential of 2¢ in milk that is received at the stores from the milk that is delivered.

MR. KIDD: That is in the area of milk.







What about other products? What about consumer resistance to high prices on some of the other factors that you mentioned prevailing in marketing today? Has there been any consumer resistance?

MRS. SHEPHERD: Do we have complaints from consumer representatives? I am sorry, I don't quite understand your question.

MR. KIDD: Well I was wondering in what form does your resistance to higher prices take?

MRS. SHEPHERD: In this case, immediately we women telephoned -- we have telephone calls from consumers asking us why the price of milk, for instance, had gone up 2¢, was going up 2¢ in North Bay and their resistance comes in protest to the Canadian Association of Consumers.

MR. KIDD: Well what do you do with it?

MRS. SHEPHERD: In this case, of course, we did find out this information we required and appeared at the Milk Board. There is nothing we can do about it except to give reasons. The manufacturers, whoever they are, in some cases we find on the Milk Board and producers and distributors and manufacturers do try to co-operate with us to the best of their ability. In that case then we, through our bulletins and by means of advertising, we give reasons to our consumers why the price should not be reduced or why the price is greater. That is one of the purposes of our Association.





MRS. KENNEDY: . We find that women are turning more to the use of the powdered milk as the other milk goes up.

We know that there is a surplus of milk going to the processing plants. We know that the processing plants give a much lower figure for the milk -- than the whole milk is sold for. Therefore, we feel that if the milk price was not so high there would not be the surplus of milk going into the processors. We feel that the farmer might be better off if he accepted a lower price and sold more whole milk, and the price, the floor price that the Government has put under butter I think is turning more milk away to the processing plants, and I think if we have a lower floor and a lower price on milk you will find that more whole milk would be used.

Our population has increased so much higher, or so much more than the consumption of milk, it is a different ratio, and I think that it could be brought into line if they have a lower price.

MRS. WALTON: Do you have figures to indicate that? While you say here the milk consumption per capita has stayed about this level the population has gone up. Do you have any figures on what the consumption is going into powdered milk?





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

- 390

MRS. SHEPHERD: No, I haven't that.

MRS. WALTON: Might that not be the offsetting feature? More people are using powdered milk because it is cheaper?

MRS. SHEPHERD: The milk that is produced is going some place. If it is not being consumed, it is going into the processing plant. We know the processing plants do not pay what the dairies pay.

MRS. KENNEDY: To answer Mrs. Walton's question, I do know that those figures are available.

MRS. WALTON: You don't have them?

MRS. KENNEDY: I haven't got them with me.

COMMISSIONER KIDD: Do you object to various kinds of advertising and extra services coupons, and so on, and so forth? How would you go about resisting the usage of say unwarranted advertising of the type you mentioned, coupons, and so on, and so forth? What will you do about that?

MRS. SHEPHERD: I think<sup>what</sup>/we do is to encourage our people to buy, if there are plain packages, to buy plain packages. It is very difficult to get them.

The Canadian Association of Consumers try to educate the consumers to ask for and to





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

-555

buy plain packages.

COMMISSIONER KIDD: You don't carry it further than your own membership?

MRS. SHEPHERD: No.

COMMISSIONER KIDD: You don't carry the protest any further than your own membership?

MRS. SHEPHERD: We have gone to the manufacturer and asked that he will produce -- I am thinking of one case specifically when I went to a cereal manufacturer and had asked about the premiums and found out that they did increase, the cost, and did ask if he would produce a similar package at a lower price without the premium. That is not common.

COMMISSIONER KIDD: Have you done anything about the type of TV advertising you mentioned in your submission?

MRS. SHEPHERD: I don't know if anybody else could answer that question or not.

MRS. V. KENNEDY: The statement in there that advertising is now big business explains many things. From the viewpoint of old advertising, it was advertising good products, and the advertiser was not interested in supporting various groups of actors, speakers, producers, and the big advertiser seeks out and gets the big orders, maintaining that he will create a sale.







ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

CC

The women are not so interested in these so-called fairy tale stories, fairy tales about the products which are often repeated one after another. They are interested in the product and they are secretly saying well you know what happens when an advertiser comes on the air it is time for me to go and put the kettle on; it is time for Suzy to go and lay the table; it is time for father to go and wash his hands, and we don't listen to it anyway.

Personally I think, and I am sure the organization feels that the women from what they have said are thoroughly overfed with this advertising. It has been good advantage to the advertising world when you think of the University courses that are given to men on media and problems like that in advertising. The original problem which Mrs. Walton will remember very clearly was created during the war when it was advisable for companies to use their excess profits by advertising. Now we have an advertising system which is almost a Frankenstein.

COMMISSIONER KIDD: There are several placed in your submission where you refer to products that are other than competitive, for example, on Page 4 you say under Observations and Questions: "There is an increasing awareness on the part of the consumer that a Price Spread





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

Board would be well to look into the all too common monopolistic practices which reduce the supply instead of reducing the price -- and dumping the surplus in foreign countries." Then on Page 5 near the last you say: "And in our free enterprise economy the consumer has a right to expect that competition will result in keeping prices down in close conformity with costs." Have you any information to supply to the Commission with regard to your suggestion there.

MRS. SHEPHERD: Well Mr. Kidd in answer to that question we did not go into that, we thought that some of these things would be under the Federal, would be dealt with by our National Members, probably the Federal. It isn't really a Provincial matter. Some of the things refer to tariffs, some of them being referred to the Provincial Government should be referred to Federal not Provincial.

If you want a specific example why -- did you want an example specifically why we mentioned that reduction in price? Is that what you want? We did not try to get it because at this stage we felt it was a Federal matter, but we think in some cases where products, for instance, some of our products have been sent out to other countries much cheaper than what we get it.

COMMISSIONER KIDD: I was more interested





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

in your suggestion that there is a lack of competition in the unit of food products. I was more interested in that.

MRS. SHEPHERD: I think we feel that that is not competition. There is no chance of competition if it is a set price for whatever they happen to be. The specific example here is fruit, then we feel we have a right rather than fruit be kept at a certain price, if it is an over supply, I think the Canadian Association of Consumers feel that consumers should have the benefit of any over supply rather than having it shipped out at much less cost to other countries. As I say, that is not really, I believe, a Provincial matter.

COMMISSIONER KIDD: Just one thing more, the top of Page 5: "Customers on the whole prefer specialized stores." Do you believe there is any possibility of a return, the general return to that type of merchandising of food products?

MRS. SHEPHERD: I am sorry, is that speaking of the grocery store?

COMMISSIONER KIDD: Yes.

MRS. ALLAN KENNEDY: I think that depends on how much education is given to the consumer.

COMMISSIONER KIDD: Supposing that there was a return to that type of merchandising of food products, supposing that the chain stores







became less predominant in this field, what would you think would be the effect on the price that the consumers have to pay for goods? Would that be up or down?

MRS. V. KENNEDY: . Mr. Kidd I think I should like to answer that by stating that I think they would go down, and you are speaking about competition. It is very interesting to go to our small dealers, small grocery stores and on one corner to see a chain store at the present time that is selling baskets of fruit and to step around half a block and go into another store which is displaying its goods on the sidewalk just the same as this one chain store I am thinking of, and that man is selling baskets of fruit at least 10¢ less on every basket than the man who is in the large chain store.

Now to take a definite example: this man has lived in Canada six years; he is an Italian; he has mastered our language. Where he is getting his fruits and vegetables we do not know, but his fruits and vegetables are not washed and are not displayed the way they are displayed in the chain stores. Consequently, I imagine he is getting them from some dealer who is giving him a good cut. Therefore, we maintain as an Association that the small grocer should be given assistance. We also go a little further. We maintain that the small grocer should be given





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

204

assistance not only because in many instances he cuts prices and keeps competition flowing, but also because he trusts his people.

We feel, for instance, in Hamilton today that there are small grocers carrying along the lives and families of those men who are on strike because they have the confidence of the people who have dealt with them over a period when the men were prosperous and when their monthly cheques were coming in. To go back to competition and chain stores, definitely many of us feel that the chain store will through a falling off in many instances, especially in North Toronto one chain store moved in and another chain store moves half a block from it and there is immediately price cutting to get the trade in that district, and in between is the small grocer who knows his clientele and still has their confidence.

-----





COMMISSIONER KIDD: Would you expect that the larger the outlet the more efficiencies and, therefore, the lower the price?

MRS. W. P. M. KENNEDY: That is what we feel should happen. The larger the outlet, apparently, does not give a decrease in price, because under ordinary circumstances the chain stores all charge the same price and thus kill the idea of a low price.

COMMISSIONER WALTON: On Page 4 it says, "a package of rolled oats, similar size with pretty printing which does not mention the weight is priced at 41¢." Are you sure that that package of rolled oats did not have the weight on it?

MRS. W. P. M. KENNEDY: I am positive.

COMMISSIONER WALTON: Did you bring that to the attention of the inspector of the Federal Government?

MRS. W. P. M. KENNEDY: No, I did not.

COMMISSIONER WALTON: Because, under the Food and Drug Act all packaged foods must have the weight on them.

MRS. W. P. M. KENNEDY: I am positive it was not on, and, what is more, I know other people who saw the same thing.

COMMISSIONER WALTON: Well, it is my impression that under the Food and Drug Act foods must show the weight and if someone inadvertently or by design has not put it on, I think, as a





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

CC

good consumer, you have recourse to report it.

MR. W.P.M. KENNEDY: Yes.

COMMISSIONER WALTON: Mrs. Shepherd, would I be right in assuming that your Ontario Association perhaps is not so much against the premium or the giving if there were always an alternative choice?

MRS. SHEPHERD: That is right.

COMMISSIONER WALTON: You do feel premiums and givings add to the cost?

MRS. SHEPHERD: Yes, they do definitely. We have been told they do definitely add to the cost, and we feel in a competitive system we should have the right to choose one or the other. We should not be compelled to have to pay more.

COMMISSIONER WALTON: By the same token I would assume the Association is not against advertising?

MRS. SHEPHERD: That is right. I think we have mentioned the advertising should be informative.

COMMISSIONER MARTIN: We have been told many times -- not necessarily here -- but in other circumstances, by experts in the retail business, that most of these extra services in food, such as pre-cooking and fancy packaging, are done just to please the ladies; is that true?







ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

2-107

MRS. SHEPHERD: That is what we are told, but we feel they are thrust upon us and we haven't any choice. Certainly, the Canadian Association of Consumers told them that that is not what we want. We see many who are not members, and everywhere we turn we are told they feel they are thrust upon them and that they have no choice in it; they take them because they are there and they have to take them.

COMMISSIONER DRUMMOND: Following on this same general theme, Mrs. Shepherd, you say that the average consumer feels she has no choice but to take them: do you actually feel there are no circumstances wherein they have a choice?

MRS. SHEPHERD: Well, there are, yes, there are some cereals, for instance, without premiums.

COMMISSIONER DRUMMOND: What is the experience amongst your membership as to the willingness to make that choice if and when it is available?

MRS. SHEPHERD: I would say among our membership that from what I know our members do look to see whether or not there is a choice, and, on the whole, they do choose the package without a premium. There are some others who have small children who are almost pushed by the child to buy. I am interested in one of our members who has small children, and she was very serious about the matter





and felt it was teaching our children a wrong sense of values, and she was concerned about the little, good-for-nothing gimmicks, or soldiers, in the packages which don't last two seconds, and she felt that in this way we are encouraging a wrong sense of values in our younger generation.

COMMISSIONER DRUMMOND: Well, feeling this way, what it seems to mean to me is this, that you feel that the people who sell these goods have done really a top notch job of salesmanship: they have managed to sell not only the thing you do want but those things you do not want along with it in such a way that you cannot not only choose to take it but, in most cases, actually like to take it? Otherwise, you wouldn't take it-- is that right?

MRS. SHEPHERD: I suppose in some cases that would be true, but I feel the majority of the members of our organization feel that probably many people buy the goods they don't want, and we don't think it is a good thing.

COMMISSIONER DRUMMOND: Perhaps you would call it an uncanny knowledge on the part of the manufacturer?

MRS. SHEPHERD: That is what it is.

COMMISSIONER DRUMMOND: Do you think your organization might conceivably do a better job of countering that?





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

MRS. SHEPHERD: Well, I think they are trying by information programmes. I think many do not know what is being done.

COMMISSIONER DRUMMOND: I think we are all speaking about this point because of the emphasis which you have put in your brief on this matter of additional services and what you call unnecessary advertising and what have you, and you say this is contributing to this wider spread which we are all interested in finding out about. If this is all true, and if you do not want this, it is a question of trying to find out how you are going to get rid of it, and what we are interested in knowing, as a Commission, is what you have to suggest as ways and means of getting rid of it.

MRS. SHEPHERD: Well, I would say that the only means we have suggested is that of consumer education and information. We are a voluntary organization and we are doing our best to promote such education, and I feel that is the only way anything can be done.

MRS. ALLAN KENNEDY: When the program committee convenes, our recommendations for programs are nearly all based on the hope that the branches will put on informative programs which will help people to understand this.

COMMISSIONER DRUMMOND: You mean if they have information which they do not now have?







MRS. ALLAN KENNEDY: Yes.

COMMISSIONER DRUMMOND: May I ask something quite different: you mentioned in connection with apples that you are being more or less deprived of certain varieties, and limited in the number of varieties, and another point is that you would like to have things at as low a price as possible. As an Association, if your membership had the choice of having few varieties at a low price or a larger number of varieties at a somewhat higher price, which would you want?

MRS. SHEPHERD: That is a rather difficult question. There would always be some who would want the variety, and some the lower price.

COMMISSIONER DRUMMOND: But you will admit the greater variety you insist upon the higher the average price you will have to pay?

MRS. SHEPHERD: I suppose there would be a higher price. We are concerned about some varieties which some farmers are cutting down because they are not being asked for them by the chain stores or by the stores that handle them in large quantities. It seems to me the price could even be kept down if they were encouraged to grow them.

MRS. ALLAN KENNEDY: We don't presume to belong to the Consumers Association because we are





consumers only; we belong to the Consumers Association because we are primarily interested in the good of our own country.

COMMISSIONER DRUMMOND: You mentioned at one point that there are, I think you said, 1300 licensed dealers in the Province of fruit and vegetables, and I think your own wording is that this fact would seem to indicate that the consumer is paying for an unwieldly and cumbersome method of distribution. Why does the existence of 1300 of these people bring about those results?

MRS. ALLAN KENNEDY: To one who is quite unimformed in economics, it just sounded that way.

COMMISSIONER WALTON: Would you hazard a guess as to how many retail outlets those 1300 dealers were servicing in the way of fruits and vegetables?

---(No answer).

COMMISSIONER WALTON: You indicated in your brief that you found it difficult to get information, and I assume from your implication that if consumers had more information they may buy more intelligently, which would narrow the price spread; is that what you imply? Have you found difficulty in getting facts or figures to inform yourself of what you think or suspect?





MRS. W.P.M. KENNEDY: I think we can say at the very beginning that more education is desired especially for research workers, and also farmers who are really businessmen, and also for consumers. Various groups, producers, and various dairies can produce some pictures in their relationship to milk, but we all know that statistics can be twisted to suit your own advantage on whichever side of the business you are. What we do want, as has been expressed to you, I understand, in other provinces, is more education for those who are in business, and we find that the well-informed farmer today is a business man. I think that would answer your question.

In relationship to apples, I think the request is here that the agricultural groups will give more information so that the farmers and the consumers will know what is happening.

You mentioned a few moments ago about pretty packages and the impulse buying: pretty packages have many advantages for the large chain stores which we know little about. Those things come to them in these packages, and all that is necessary is for an impersonal person -- an employee -- to turn them over fast, which he does, and he has no interest in the people whom he is serving at all. That is where we women like to deal with a small dealer. Those packages, through refrigeration





and things like that, can be in many instances maintained at peak value for longer than they should be. In another instance, we should go further in the matter of eggs: eggs are said to be fresh when they have been sitting in a shop after having been in cold storage for so long, and they are not first-grade when the women obtain them.

Our whole thesis is that we want education about these matters, which we are in some instances receiving.

Another point on these pretty packages is that one person in a smaller city in Ontario wanted a little turpentine (which is not food) but, in order to buy a little turpentine you must buy a larger quantity than you want -- in many instances more than you would want for the mixing of some paint or the fixing of a piece of furniture, and you buy a very pretty can with most attractive drawings of pine trees on it, but you do not want that quantity. What happens to that quantity? It stays down in the basement and is wasted. The waste in the country is far greater than we realize, not only through buying turpentine and things like that, but for buying quantities of food in these fancy packages, and things like that.

MRS. SHEPHERD: May I add to what Mrs.







ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

2114

Kennedy has just said, that we feel the Ontario Government has done an excellent job, for instance, with the agricultural representatives to tell the farmers and to tell the producers, but we feel there should be somebody else who can tell the consumers how to buy wisely and give more information and education for the consumer from the consumer's point of view, and that can be done on a much larger scale than we are trying to do.

THE CHAIRMAN: Thank you very much for your presentation of this brief, and to the ladies for their kindness in answering our questions. We appreciate it very much.

-----





Submission of  
THE ONTARIO FARMERS' UNION

Appearances:

Mr. Gordon Hill	President
Mrs. George Prosser	Women's President
Mrs. F. Stephens	Women's Vice-President

---

The Ontario Farmers' Union welcome the opportunity to present to this Commission the views of its membership with regard to price spreads concerning food products.

We are not a composition of farm organizations, but a Union of actual producing farmers. These farmers maintain their organization by direct, annual membership fees. While we do not claim to <sup>all</sup> represent/Ontario farmers, we do suggest that our influence is much greater than our actual membership would indicate. Our Union began its activities five years ago, because of the farmers' need for an organization controlled entirely by its members. The response has been most encouraging.

We realize that this Commission will have to make a complete study of marketing, processing, merchandising, and so forth. It will, no doubt, be hampered by the lack of adequate, up-to-date, statistical data from the Canadian Department of Agriculture. We were obliged to obtain some of





our information from the United States Department of Agriculture, for which we were very grateful, in order to try to present a timely study of the subject under discussion.

MR. HILL: I might say here, Mr. Chairman, that it is our contention that what happens in the United States follow very closely in Canada, and we use these statistics from the U.S. Department of Agriculture merely to show a trend.

We respectfully suggest that this Commission use its influence to encourage the Canadian Government to provide adequate, up-to-date practical statistical information, on which farmers could base their study of the cost of production.

Far too many people minimize the importance of farmers, failing to appreciate the extent of the secondary industries which are completely dependent on the farmers as primary producers. We refer to the employment created in the advertising, merchandising and processing of food. We would call your attention to the relative importance of the agricultural industry, compared with Canadian industry as a whole.

Too often farmers are classified as primary producers only. We would like to emphasize our position as consumers -- the largest single group of purchasers of consumer goods.







The Canadian agricultural industry, during past years, was composed of self-sufficient family farms, which produced almost all their requirements.

Modern farming is becoming highly specialized; the farmers produce one or two commodities in large volume, and purchase supplies and machinery for their business, along with necessities and some of the amenities for family living.

We feel that the farmers' viewpoint as consumers has been disregarded far too long. They suffer from the price spread as producers, yet pay the price spread as consumers. When will the Canadian people realize that if farmers receive a fair price for their produce, they are the best buyers of consumer goods?

While the farmer takes all the risk on his capital investment, pays transportation charges on most of his produce, and has little or no control over the price he is paid, his share of the consumers' food dollar invariably decreases from year to year. This is related in the following table:



Farm Share of the Retail Cost as a  
Percentage of the Retail Price.

14 Selected Commodities, Canada, 1949 - 1956

Commodity	1949	1950	1951	1952	1953	1954	1955	1956
Wheat Flour <sup>2</sup>	49	46	42	39	41	35	38	37
White Bread <sup>2</sup>	23	21	18	16	17	14	15	14
Beef, Flue brand	64	67	71	62	57	58	59	57
Pork <sup>3</sup>	62	61	61	55	56	53	50	51
Chicken <sup>3</sup>	56	58	58	56	54	55	58	51
Eggs, A Large	82	78	80	74	77	73	76	74
Fluid Milk	56	55	54	54	54	53	53	51
Creamery Butter	76	75	79	77	77	78	77	77
Cheese, plain process	35	32	35	27	27	28	27	37
Potatoes	48	45	49	61	43	45	41	41
Peaches, canned	26	23	21	22	21	22	21	24
Tomatoes, canned	20	21	18	17	21	22	21	18
Corn, canned	15	15	14	15	18	17	17	17
Peas, canned	17	18	19	19	20	20	21	20

1....Preliminary

2....Based on domestic prices of wheat in store Ft. Wm. ... Pt. Arthur,  
less marketing charges from farm to Ft. Wm. ... Pt. Arthur.

3....Method used subject to revision.

Source.... Economic Annalist, June 1957.

The spread in the price the farmer receives for his products and that paid by the consumer is an added aggravation to farm people.

Although production costs have increased sharply during the past few years, the prices received by farmers for their products have dropped considerably at the same time. The result is a substantial drop in net farm income. Ontario gross farm cash income increased from \$547,348,000 in 1956 to \$554,284,000 in 1957, or by 1 $\frac{1}{4}$ %, but the Current Review of Agricultural Conditions in Canada reports that the 1957 production costs had



ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

increased over 1956 by 3%.

Year	Income of Farmers from farming opera- tions	Per- centage Increase	% of National Income	Income Per Farmer	Cost of Production Percentage Increase	NET INCOME per Farmer
1946	\$1,139,000,000	100.0	11.6	\$1,677	100.0	\$1,677
1947	1,206,000,000	105.9	11.0	1,816	108.8	1,669
1948	1,682,000,000	147.7	13.4	2,514	128.1	1,963
1949	1,641,000,000	144.1	12.4	2,476	136.3	1,816
1950	1,448,000,000	127.1	10.0	2,306	139.7	1,651
1951	2,155,000,000	189.2	12.6	3,604	156.3	2,306
1952	1,923,000,000	168.8	10.5	3,446	165.2	2,086
1953	1,697,000,000	149.0	8.9	3,080	160.2	1,923
1954	1,190,000,000	104.5	6.3	2,091	160.9	1,300
1955	1,454,000,000	127.7	7.0	2,683	160.3	1,674
1956	1,573,000,000	138.1	6.9	2,735	162.2	1,686

Source.....D.B.S. ... Canadian Statistical Review...Quarterly  
Bulletin of Agricultural Statistics.

Farmers have increased production so that gross income of \$1,139,000,000 in 1946, compared with \$1,573,000,000 in 1956, shows an increase of 38.2%. At the same time, the farmers' costs spiralled by 62.2%, giving the farmer a net disadvantage of 24.1%. As a direct result of such a cost-price squeeze, 47,076 farmers left Ontario farms from 1951 to 1956!

The farmers' share of the consumers' food dollar declined from 50.5% in 1949 to 46.1% in 1955. We believe that at the present time this portion has dropped to below 45%. The latest available Canadian Figures are for 1955, but the United States Department of Agriculture quotes 43% as the farmers' share of the consumers' food dollar during the five-year average, 1952 - 1956.



ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO



Studies have shown that the prices to farmers have declined consistently, but we found no evidence that prices paid by consumers decreased proportionately.

Although the butter manufacturing process is quite complicated, the farmer receives 77% as his share of the consumers' food dollars. This we believe, is due to the method of price support used. There is little handling or processing required for eggs that could justify the wide spread in egg prices. We attribute the wider spread to the fact that the support is to the processor.

A glaring example of the increase in marketing margin illustrates its effect on the declining farm share of the retail price of white bread. In this instance, the farmers' share was 14% of the consumers' food Dollar in 1956, a drop of 9% over a period of 8 years. (Economic Annalist, June 1957) According to the United States Department of Agriculture, April 1956 figure, the increase in charges for processing and distribution increased 87% for the same eight-year period.

#### MILK

A study of the analysis of the consumers' milk dollar indicates that 45% goes to the farmer, the balance for marketing. Distribution alone accounts for 23¢ of the marketing costs. This would call attention to the possibility of duplication







and inefficiency of the processors. (U.S.D.A... Miscellaneous Bulletin, #733.) We would suggest that this Commission could very well question the relative efficiency of the various firms in processing and distributing specific commodities, and could try also to determine whether or not there is foundation for suspicion with regard to fixing prices, etc.

According to Dairy Herd Improvement Association figures, 1129 herds, for 1956, farmers received \$3.54 average price for 100 lbs., or 38.9 quarts of milk. The urban consumer hears more frequently the higher price of \$4.47 per 100 lbs. of milk, which sounds so well. There is little or no publicity given to the large amount of secondary or surplus milk, priced at \$2.54 per 100 lbs., which the farmer is obliged to supply in order to keep his milk contract. All milk, secondary or otherwise, cost \$3.30 per 100 lbs. to produce, according to the 1956 D.H.I. figures. Milk producers who ship to manufacturing plants are paid a still lower figure, \$2.41 per 100 lbs. ... Ontario Agricultural Statistics, 1956.

In order to retain their milk contracts, a considerable number of farmers were compelled to install bulk tanks at great expense. This included the necessary building alterations, drilled wells, and even extended to improving lane surfaces. On the other hand, the dairies were saved the cost





of purchasing cans, dairy equipment to handle the , and the very considerable saving in labor costs for handling. Milk shippers were not guaranteed a premium price, and found only too often that their returns were actually lower. Shippers feel that this was the result of lower butterfat tests from the bulk-handled milk, while retail prices remained unaltered. Thus a wider spread in prices was created between farmer and consumer. We would appreciate any efforts on your part to substantiate persistent and wide-spread complaints of lower butterfat tests on bulk-handled milk. Efficient farmers are penalized by lower returns on increased production costs.

Union policy, endorsed by the members, asks that the testing of milk and cream for butterfat content be taken out of the hands of the distributors and processors, and placed under supervision of government testers and inspectors. We believe that this policy has merit. If, after thoughtful consideration, you should concur, we would request your support in advocating prompt action on the part of the government.

#### C H E E S E

The spread in Canadian Cheddar Cheese prices between producer and consumer cannot be blamed on fancy packaging or processing. This product is only cut and wrapped in cellophane, with a small sticker label. We think this is quite a





profitable operation for the wholesaler.

This year, the trade refused to pay 35¢ per lb. on the cheese market. In retail stores, however, the price of medium cheddar cheese was recently 59¢ for a 12 oz. package, and 64¢ for a 12 oz. package of old cheddar. This is 79¢ and 85¢ per pound respectively! This glaring discrepancy between the market and retail prices is not apparent to the customer, because the package does not show the retail price per pound of cheese.

The Dairy Herd Improvement figures for 1956, show the cost of producing 100 lbs. of milk as \$3.30, yet the farmers received \$2.11 per cwt. for milk shipped to the cheese factory (Ontario Agricultural Statistics, 1956). The primary producer is once again refused a price that bears a fair relationship to cost of production. The ratio of the wholesale market price of cheese to the retail price is a cause of even more bitter complaints. Of the consumers' dollar spent for cheese, the farmers receive only a mere 37¢. This emphasizes the fact that neither the urban nor the rural consumers benefit from lower retail cheese prices, while, at the same time, the returns to the farmers are disastrously below the cost of production.

#### B U T T E R

Over a period of year, the public has been conditioned to expect cheap food. When the cost of living index advances, radio and newspaper reports emphasize any increased food prices. They neglect





to explain whether the prices for imported, rather than for domestic foods, have caused the increase. Consumers raise an outcry at even the slightest increase in food prices, yet will pay willingly for expensive luxury items. The government support price of 58¢ per lb. for butterfat has been extremely beneficial to consumers, for the support price became in reality, the ceiling price. Consumers fail to realize, that, according to 1956 D.H.I. figures, it cost farmers 98¢ per lb. to produce this butterfat. Once again, farmers are expected to produce at a loss!

E G G S

Wild fluctuations of the egg market, and the lag in retail price adjustments, have been largely responsible for the dispersal of smaller, laying flocks. Strong criticism of severe downgrading of eggs when the market price is improved, the support price to processors, rather than to producers; misleading publicity with regard to support price; these are the chief causes for discouragement among egg producers.

The average weighted price of 32.4¢ to Ontario producers, in 1957, was the lowest price for eggs since 1949, according to the 7th Annual Poultry Market Review. At the same time, there were imported 754,586 dozen shell eggs, and 388,756 lbs. of frozen and dried powdered eggs. The







producers were told that prices were lower because of overproduction. No doubt they wondered whose overproduction caused the decline in prices, since the imports came such distances from Hong Kong and Alaska!

Study of the Poultry Products Market Report, weekly, for the first six months of 1958, shows the average weighted egg price of 32¢ per dozen. This is no improvement over the previous year, and farmers' costs had, in the meantime, increased 15 points -- The source - D.E.S. Price Index of Commodities and Services used by Farmers - January 1958.

Farmers resent downgrading of grade A eggs, whose imperfect shells place them in grade C, with too great a difference in price. Farmers receive no remuneration for rejects. The high percentage of rejects makes us wonder how they are disposed of, and if there is any profit in their disposal.

The general public receives the impression that the Federal Government support price of 42¢ per dozen for eggs is paid to the producer for ALL eggs. This impression is fostered by newspaper and radio reports. In reality, it is the processor who gets the 42¢ per dozen price for grade A large eggs. We fail to see why the support price cannot be paid directly to the producer.





If eggs were sold by the pound, consumers would realize that one dozen large eggs are equal to  $1\frac{1}{2}$  lbs. of concentrated, high-protein food. Farm Union members have requested the government to support egg prices by the pound, rather by the dozen. Using this method of support, large seasonal supplies of small eggs would not be permitted to cause such wide fluctuations in the market.

#### P O U L T R Y

Again we find that smaller farm units are not able to withstand competition with cheap imports. This was emphasized by the necessity for the embargo on American poultry in July, 1957. Unfortunately, this was only a short respite for the producers. They appreciated these measures, but are convinced that the real need is for a sound, long-term policy for all agricultural products, rather than for stop-gap measures.

#### P O R K

The job of supplying pork every day of the year for Canadian families, and for export, is the business of about 70,000 Ontario farmers.

Prices are paid to farmers on a dressed weight basis, with the government grade tag attached only to the foot of the animal. We feel quite sure that the government grade is not carried through to the consumer; grade C hog carcasses become grade A pork cuts in the retail stores. This will allow a much greater spread in prices. The





farmers receive only 51¢ of the consumers' dollar spent for pork, according to the Economic Annalist, June 1957. In the same table, the farmers' share of the beef dollar is shown at 57¢. Beef is sold by farmers on a liveweight basis, but the consumer benefits, as the government grader marks the carcass with a ribbon stamp. This minimizes the spread by ascertaining that the government grade is carried through to the consumer. There are 14 grades of hog carcasses shown on the statement of settlement, and the farmer is paid accordingly. He is very much frustrated when only one grade of pork is sold over the meat counter. It adds to his annoyance when he recalls that he received no payment whatever for head, heart, liver and valuable glands.

An increasingly common practice is for retailers to buy "wholesale cuts", rather than a side of pork. Frequently the wholesale cuts of pork are not accurate. For example, portions of the lower-priced ham and shoulder meat will be left on the higher-priced loin, amounting to about two pounds in weight. The butcher is charged at the higher loin price. Automatically he will pass along this price spread to the consumer.

Marketing costs cut into the price the farmer receives; he pays transportation on his pigs, marketing fees for their sale, transit insurance, and sustains a further loss through





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

shrinkage in transit, due to double trucking to and from assembly yards. He receives his statement of settlement showing warm dressed weight, but NO indication of the live weight of the pigs he sold.

When the market price rises, it does not take very long for the increase to reach the consumer. Yet, when the market price declines, farmers watch with growing concern for the two-three-or four-week period before the consumer benefits from the lower price. Lags in adjustment of the wholesale and retail prices behind changes in livestock prices contributed to the instability of farm prices of livestock. This was the opinion expressed in the U.S.D.A. Bulletin, #710, Beef Marketing Margins and Costs.

E E E F

The Livestock and Meat Trade Report, Vol. 39, No. 29, for July 24, 1958, is the source of the following figures, published by the Market Information Section, Department of Agriculture, Ottawa.

Exports.....January to June, 1957.....45,059,000 lbs. beef,  
January to June, 1958.....5,415,000 lbs. beef;

an increase in beef exports for 1958 of 360% over the 1957 period.

----







EE-PM/nd

## Domestic Disappearance of Beef, Meat

Trade Report for July 24, 1958,

January to June, 1958.....449,961,000 lbs. beef

January to June, 1957.....475,948,000 lbs. beef;

a decrease in domestic consumption of 5% for the same period. These figures would indicate that any importation of beef was unwarranted. Farm people find no reason for the dumping of shiploads of frozen New Zealand beef, which was sold on a high-priced Canadian market. We are firmly convinced that the downward price trend was caused by the pressure of these imports. The sale of unfinished cattle, due to drought conditions, has given impetus to falling prices.

Two and one-half years of low cattle prices were not reflected in bargain beefsteaks. The farmer began to feel a little more secure under the influence of a firmer market. Then some irresponsible person advocated the limitation of Canadian beef exports. We wonder what domestic market would be capable of absorbing the increase of 365%, should the beef exports be limited. We wonder, too, whose interests would be served best, should such manipulation of the beef market be permitted. It takes approximately two years to finish a steer for market. Farmers resent the injustice of a situation in which they bear the initial investment, feed, labor and risk, and receive 57¢ as their share of the consumers' dollar.





A quick turnover nets 43¢ for the other industries concerned, in a relatively short time.

The retail price of meat is suggested to the independent butcher by the packer, and we suspect it is used not as a guide, but as the actual retail price. Farmers prefer to patronize the small town or village merchant, who is at a disadvantage in competition with chain stores. The independent merchant is unable to buy in carload quantities, and is penalized by having to pay a much higher wholesale price for his goods. Chain stores throughout the province have their prices set by head offices in Toronto. Farm people find that they are paying prices for commodities on a par with those paid by the urban housewife. Customers in smaller towns are helping to pay for chrome and glass buildings, paved parking lots, electrically controlled doors, and all the extra services that customers have been conditioned to expect of the supermarket in the modern shopping plaza.

#### C E R E A L   G R A I N S

The growing of cereal grains is an essential part of agriculture in Ontario. The importance of the primary producers of cereal grains is demonstrated by the extent of the secondary industries dependent on the farmers. This is evident in the large array of cereals, mixes and bakery products displayed in modern grocery stores.

The spread is very apparent to farmers





when they try to relate the price per ounce, for cereals, to the price per bushel of grain. We mention wheat as a sample of the unfair price spread, as it appears to farmers. A bushel of wheat, 60 lbs., could produce approximately --

24-12 oz. boxes of wheat flakes,	selling for 29¢.	\$6.96
24- 6 oz. boxes of puffed wheat,	selling for 21¢.	\$5.04
24- 9 oz. boxes of muffets,	selling for 18½¢.	\$4.44
24-12½ oz. boxes of shreddies,	selling for 27¢.	\$6.48

\$22.92

These were selected as the lowest retail prices that we obtained. Smaller packages, individual servings, or the selling prices in small stores, would make the price spread even more excessive.

The return to farmers is considerably less than \$1.50 per bushel for top grade wheat. They cannot reconcile the retail price of \$22.92 for these packages of wheat cereal, paid by consumers, with the actual farm value of the wheat in the packages. They feel, too, that a comparable price spread exists in cake and biscuit mixes and similar products, and in other cereal grains that is just as exorbitant!

Farmers understand that a marketing margin is logical, and that a substantial investment in machinery is essential for processing the grain into cereals. Farmers contend that they also must have a large investment in machinery and other operating expenses. There is, however, no





assurance that they will receive their cost of production, and little possibility of a reasonable profit.

### CANNING CROPS

The most serious problem that is confronting Ontario growers of canning crops is the failure to receive their usual contracts in 1958. The acquisition of local canning factories by Del Monte, of California, and the subsequent curtailment and closing of the plants have seriously affected many farmers throughout the province. Indirectly, this situation has an adverse effect on many thousands of persons engaged in other related industries.

There is no doubt in our minds that the increased imports, in 1957, of canned and frozen fruits and vegetables, (Fruit and Vegetable Preparations Industry, 1956; Current Review of Agricultural Conditions in Canada, November 1957), exerted a strong influence on the reduction of acreages for those products. Growers claim an estimated 25% decrease in the contracts for tomatoes, alone, in Ontario.

The reduction in acreage, with a resultant smaller supply of fruit and vegetables for canning offers a good excuse for importing large quantities of cheap produce from the United States, at disaster prices. This is "dumping" in the strictest interpretation of the word.







Canada is fast becoming a "tied" market for American farm produce. No doubt we will be assured of adequate supplies in times of abundance, but in the event of shortages in the United States, their market will receive preference. Should this situation arise, Canadian land, machinery, etc., will not be in condition to produce our requirements, because the growers will have turned to more secure sources of income. The Economic Annalist, June 1957, gives the farmers' share of the consumers' dollars: Corn 17¢; Peas, 20¢; Tomatoes, 18¢; Peaches, 24¢; an average of less than 20¢ out of the dollar. We were most anxious to present cost of production figures, and the details of the farmers' share of the consumers' dollar, for other fruits and vegetables. Unfortunately, the only official figures are for 1957, and they are incomplete.

#### P O T A T O E S

We realize that it is not possible to discuss each farm commodity separately. Nevertheless, acting on a directive from our membership convention, we have presented their recommendations regarding potatoes in briefs to both our provincial and federal governments.

We are certain that it was entirely due to Union effort that there was an adjustment made in the unfair potato tariff. We appreciate even small benefits from the adjustments, but feel that





the protection from the present tariff is quite inadequate.

The early potatoes from the United States reach our market in quantity just prior to the harvesting of Ontario potatoes. As a result, these potatoes, with low production costs, are sold on a strong Canadian market, to the detriment of Canadian producers.

The farmers' share of the consumers' dollar spent for potatoes is a miserly sum of 41¢. Here again is an example of the farmers taking the risks of weather, uncertain labor, machinery, fertilizer and other operating expenses, while the secondary industries receive the major share of the dollar. Farmers are the recipients of plenty of free advice; they should become more efficient, support co-operatives and producer marketing boards. They have become more efficient, and have financed marketing boards to the extent of several hundreds of thousands of dollars annually. Their reward has been higher operating costs, and lower net returns. They are helpless in the face of the flood of cheap imports and other factors completely beyond their control.

Contributing Factors to Marketing Margins.

1. Elaborate packaging.
2. Individual serving packaging...frozen dinners, cereals, etc.
3. So-called "free gifts", bonuses, and other misleading advertising.





4. High-pressure sales promotion, radio, television, billboard, etc.
5. Lack of economy packaging.
6. Trading stamps.
7. Overlapping in distribution.

We are convinced that customers did not ask for these expensive merchandising features, They are being promoted by highly-paid advertising agencies. Manufacturers and wholesalers, in keen competition, may be expected to use these methods, providing they bear the expense, instead of the producer and the consumer. It is quite evident that advertising blurbs, on radio, television and cereal boxes, are aimed directly at children. Mothers of young families have been subjected to this insidious form of persecution for too long, in our opinion. It has reached the point where mothers are quite vehement in their disapproval of such tactics.

Farm families, the largest single group of consumers, realize the value of buying in larger quantities. They practise this when purchasing most of their supplies. Has there been any attempt made to allow farm or urban consumers to benefit from buying in bulk, with a minimum of packaging?

Trading stamps are another form of indirect additional cost to the consumer. Stamp companies receive about 75% of the revenue; the retailer retains about 25% as compensation for added labor





and accounting costs. Less than 10% of the retailers were able to absorb the added costs through increases in sales volume. As a result, 27% of the retailers had to increase their gross margins, and 43.5% used fewer low-priced specials. These conclusions were reported in the U.S.D.A. Bulletin #147, Marketing Research Report. We believe that a comparable situation exists in Canada.

Overlapping in distribution is a major offender in the marketing margin. For example, when break, milk, etc., are standard quality and weight, it is ridiculous, inefficient and expensive to duplicate delivery services. We believe that the spread could be lessened by sensible merchandising. The farmer could receive a better price for his products; a price more in line with his investment, labor and risk.

#### R E C O M M E N D A T I O N S

- 1) We would request that this Commission promote the establishment of a government agency, connected with the Canadian Department of Agriculture, to provide adequate, up-to-date information, on a regional as well as national basis. Lack of such information has been the greatest handicap in the preparation of this brief. It is impossible to obtain cost of production figures that are acceptable to the government.
- 2) Implementation of anti-dumping legislation for agricultural products.







- 3) Country of origin stamped in a prominent place on food sold in Canada.
- 4) Name and address of manufacturer, not merely the distributor, indicated in a prominent place on food containers.
- 5) Correct labelling; substitute products plainly and correctly named. The word "cream" is associated with farm products, not processed substitutes.
- 6) Producers' grades carried through to the consumers, as recommended by the 1937 Royal Commission on Price Spreads.
- 7) Investigate the final disposition of "reject" eggs.
- 8) Establishment of controls over misleading advertising.
- 9) Expense for extra services should be charged to those who benefit, not to the primary producer.
- 10) Separate cost index for food produced in Canada. Crop failures in other countries resulting in higher-priced imported foods, are not revealed in the cost index.
- 11) We do not feel that it helps farmers when speculators make "paper profits" by gambling on next year's crop prospects. We would suggest that such practices be eliminated.
- 12) We would ask that this Commission should recommend to the Federal, and also to the Provincial Government, that NET FARM INCOME, rather than gross farm income, should be announced. Gross income





figures create a false impression of prosperity.

13) PARITY PRICES, rather than support prices, paid directly to the producers in the form of DEFICIENCY PAYMENTS.

I might say we have some very definite ideas as to how this could be implimented very efficiently and effectively.

14) More and better marketing boards, national as well as provincial. We would suggest that this Commission investigate the possibility of deficiency payments, made to producers, through marketing boards.

#### C O N C L U S I O N

We hope that in our presentation we have been convincing in our evidence. We have tried to show where price spreads of unreasonable proportions exist, and to suggest some remedies. Farmers are weary of being told that they must be more efficient, must try to help themselves, only to have their attempts result in higher production costs and a tighter cost-price squeeze. They have paid hundreds of thousands of dollars, year after year, into commodity groups and marketing boards. Their heavy cash investments have been sabotaged by short-sighted government policy which permits a deluge of cheap imported food to by-pass those marketing boards.

We regret that more complete information was not available. We would suggest that the emphasis be moved to marketing research, rather than





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

2439

production; since this is our present problem;

We appreciate the opportunity to present  
this submission from the

ONTARIO FARMERS' UNION

THE CHAIRMAN: Thank you very much. We  
will recess now for five minutes.

---A short recess,

-----





EL/nd FF

THE CHAIRMAN: Come to order, please.

Mr. Hill, I think Professor Dummond would like to ask you a few questions.

MR. HILL: Certainly.

COMMISSIONER DRUMMOND: Mr. Hill, to begin right away at the first page, you suggest, and I think in your recommendations also, that this Commission may consider recommending improvements should be made in the sources of information, particularly to the end of being able to calculate cost of production. What I am wondering is why you feel it is necessary for this particular Commission to think in terms of calculation of cost production.

MR. HILL: Well, Mr. Drummond, if I may say, we are enlisting the support of every influential body in an effort to have cost of production statistics available, not only to farmers but to consumers, and we find whenever we make such a suggestion we are told, Well, the Department of Veteran Affairs is doing a cost-of-production survey and the Dominion Bureau of Statistics is doing cost-of-production work, and so on, and we just don't know whether it is important we go ahead with some other group. But then we find that by the time these different groups have compiled their records they are obsolete, they are out of date, because you can see most of the figures we have been able to use are for 1956, and there is a two-year time lag. Another reason, or one of the







most important reasons, we would like to see cost-of-production figures become available is that in Bill 237 or the Price Stabilization Bill, which sets the prices for farm produce, makes reference to cost of production. Now, the cost of production figures the Government have arrived at are definitely not accurate, and the cost-of-production figures that are available through our marketing boards are not acceptable to the Government, and we would like to see some machinery set up in which both farmers and government would participate in arriving at a cost of production which would be therefore acceptable to both parties.

COMMISSIONER DRUMMOND: Are you putting the emphasis on the cost of production because you feel there should be a distinct relationship between that and the farmer's selling price?

MR. HILL: Very definitely, yes.

COMMISSIONER DRUMMOND: The reason I ask this question is, as you are aware, this Commission is really concerned with the spread between what the farmer gets and the price the consumer pays.

MR. HILL: I might just point out, Mr. Drummond, that if we had machinery set up for cost-of-production work it could also go on and relate this even further and it could also take in the cost of merchandising.

COMMISSIONER DRUMMOND: While I am speaking on this line, I think towards the end of your brief--





yes, on the last page at the top of the page where you are speaking of deficiency payments, I think I would like to draw your attention to this fact, that it is not the specific function of this particular Commission to consider deficiency payments or any other means of off-setting price squeeze, it is the spread between what the farmer gets and the price the consumer pays, not the spread between the price the farmer gets and the price he has to pay.

MR. HILL: Yes, I see that.

MRS. ROSSER: I suggest that particular item was in the 1937 recommendation, in the recommendations by the Royal Commission at that time.

COMMISSIONER DRUMMOND: Again referring to your brief at the bottom of the first page, you emphasise the farmers' position as consumers; you say that it hasn't been considered. I am just wondering how much you are considering the farmers as consumers of food as distinct from consumers of things in general. As you know, farmers become more specialized.

MR. HILL: Yes. We find that farmers are not eating the produce from their own farm; they buy their own potatoes, they buy their own apples. I can remember when I was a boy at home that for cereal we made our own from our own wheat. Now, this is out of date, you don't do this; you buy your own cereal in the store just the same as the people in the town, and we find this has gone





to other commodities, too, that we buy our food out of the store rather than produce it on our own farm.

COMMISSIONER DRUMMOND: Have you found that farmers, as consumers of food, are now thinking more of retail prices of food?

MR. HILL: I would say that we are conscious of this, but I suppose I must be honest and say that our principal concern is the prices that we receive.

COMMISSIONER DRUMMOND: You have mentioned at various points the fact that the consumer's dollar invariably decreases and has been decreasing very markedly of late, and you seem to indicate that this is, to put it very simply, a very bad thing. What I am wondering is why you do feel that farmers are adversely affected by receiving a declining share of the dollar.

MR. HILL: Well, I suppose our view is that the consumer is paying what looks in a lot of cases like a reasonable price for the food that they buy, and when the farmer calculates what he receives for that particular item, it is very small, and we feel that if we received a higher percentage of the consumer's food dollars, then we would be in a better economic position and therefore could contribute more to the overall economy of Canada.

COMMISSIONER DRUMMOND: Do you feel that





because the farmers receive a smaller percentage of the consumer's dollar they thereby necessarily receive fewer dollars?

MR. HILL: Receive a smaller percentage?

COMMISSIONER DRUMMOND: Just because they receive a smaller percentage of each consumer's dollar, does that necessarily mean that they receive fewer total dollars?

MR. HILL: I believe that our gross dollar volume in Canada has decreased. I believe this graph over here will illustrate this very well. I was very much intrigued by this graph. The high point would be in 1951, whereas by 1957, about June, I suppose, you would say it hit rock bottom. Now, I don't know whether I could put my hand on it at the moment, the exact gross national figure for agriculture. It is somewhere around, but it is available, and it has decreased.

COMMISSIONER DRUMMOND: What I am interested in asking now is whether you do not feel that, in the last analysis, the really important thing from the farmer's standpoint is the total of dollars he receives, the net income he gets altogether, rather than the amount per unit of product he gets.

MR. HILL: Well, I might say the profit per unit has a very definite bearing on the gross amount he would receive, and therefore he is very interested.







Would you care to add anything to that,  
Mrs. Prosser?

MRS. PROSSER: No, I think the farmer has noticed the drop, as we all have. But we definitely think that if we were to get a greater percentage of the consumer's dollar we would be in a better position.

COMMISSIONER DRUMMOND: Well, there are those two variables, the price per unit and the net income. Now, if it happened that you can sell a lot more units when the share of the consumer's dollar that the farmer gets is smaller, it could be, could it not, that his total net income would be larger?

MRS. PROSSER: It could, but it costs more to produce those units. You have labor and everything else concerned.

COMMISSIONER DRUMMOND: But those variables exist.

MR. HILL: I might just point out there, Mr. Drummond, that we have no evidence that the farmer can't sell more just because his percentage of the consumer's dollar is less.

COMMISSIONER DRUMMOND: No evidence one way or the other.

MR. HILL: Yes, I would say we have no evidence either way. We contend that the actual price that the farmer gets has very little to do





with the total sale. For instance, we might say in cereal grain a bushel of wheat will be twenty-two dollars ninety cents in cereals, and the farmer gets less than \$1.50. If the farmer were to receive \$2.00 for his wheat, it would be getting up to a reasonable price, which wouldn't make very much difference to the actual cost of that cereal.

To carry it to canned goods, I believe on an average the contents of a can represent about 1¢ to the grower, yet the can costs 1½¢, and the can costs more than the food.

COMMISSIONER DRUMMOND: There are some times when the farmer's percentage is smaller, and that is the period of prosperity.

You suggest that the 47,000 farmers had to leave farming because of this price squeeze situation. Do you think there are any other reasons why they did go?

MR. HILL: Well, I must say that I go along with the theory that we will work towards larger farms and therefore less farms. But I am confident that the major portion of this 47,000 left the farm primarily because of the cost price squeeze. As a matter of fact, I have talked to them personally; I have driven down the sideroads and called on farm after farm after farm, and many of them you can't find at home in the daytime because they work away, but when you call back to them in the evening you





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

2447

find that they are very definitely interested in  
agriculture and interested in their farm.

-----





COMMISSIONER DRUMMOND: You wouldn't be intending to say that some of them had been induced to leave for something better?

MR. HILL: No, I would say actually a small percentage of them had been induced to leave because of something better for the simple reason that they are still maintaining their farms. If they had sold out and moved to town, I would say yes, they were induced to leave because they had better opportunities elsewhere, but the people I am referring to are the ones that work in town and maintain their farms.

COMMISSIONER DRUMMOND: Just one more question: you speak about the relationship between the price of cheese, and in the case of spread for butter and eggs. I wonder if you would elaborate on that slightly?

MR. HILL: I will just ask Mrs. Prosser to answer this question.

MRS. PROSSER: In the case of butter it is sent to the creamery and you get the stuff back from the creamery. On eggs you cannot get it because you may take the eggs to a processor and the government doesn't buy eggs from small processors unless they have storage facilities for 300 cases. Therefore, these small processors pay the farmer the going rate and they in turn turn over those eggs to a larger processor and it is the larger processor who receives the support price from the government,







not the farmers.

COMMISSIONER DRUMMOND: You advocate, I think, selling eggs by weight rather than by the dozen. What would you say is the nature of the counter arguments that you have encountered?

MR. HILL: I suppose the greatest argument is that everyone is used to the idea of eggs by the dozen rather than by the pound, and that there would be, shall we say, a certain amount of confusion created in the changeover. I think that is possibly the strongest argument.

COMMISSIONER DRUMMOND: Is the reason for advocating this change your feeling that the small-size eggs are discriminated against at the present time?

MRS. PROSSER: Yes. As far as the eggs are concerned, when they have a defect on the shell they are graded down to Grade C. I might say that by the weight instead of the dozen I think there is quite a little bit of disturbance. Bananas were sold by the dozen at one time and now are sold by the pound.

COMMISSIONER WALTON: You cannot bruise an egg. I was thinking of the packaging problem. You can buy oranges by weight, but eggs, if you put them in a bag, you might come home with an omelette. What sort of a package could you use for weight? The small orange might be 16 ounces, usually weigh a dozen





for Grade A?

MRS. PROSSER: I think that problem can be solved.

COMMISSIONER WALTON: You might have a problem.

MR. HILL: That definitely would be a problem, Mrs. Walton, but I think that when science has gained the lofty heights of being able to circle Sputnik around the earth, we could overcome that. We must recognize it as a problem very definitely.

COMMISSIONER WALTON: If you had to create a new package that was flexible that would add to the cost and perhaps the price spread. It might, I don't know.

MRS. STEPHENS: In the States I have heard of one experiment that had been tried, where they were breaking them and freezing them and selling them in package containers, and that is one handling of course, but you wouldn't lose as much on your larger ones with weight. Sometimes you lose about five pounds on a crate.

MR. HILL: This would work to the advantage of the consumer as well as to the advantage of the producer because there can be quite a variation in the size of eggs, you see. An egg must weigh so many ounces; they are supposed to be so many ounces, so many ounces in a dozen Grade A large eggs. Where there is a little variation there and you can happen





to get a dozen that just squeaks over the margin and you can pay for the full amount, whereas, if you grade them by the pound -- of course they must be graded for quality, but if you have them by the pound you would pay for the exact amount that you received.

COMMISSIONER DRUMMOND: Just one other question: You state that at the present time the price spreads are distinctly unreasonable. How do you go about deciding when a spread is reasonable or unreasonable? That is one of our jobs.

MR. HILL: I think you have a very good question there, but I think that if you would go back about a year ago now to when your choice cattle were selling on the Toronto market for 18 cents a pound and then relate that to the price that beefsteak was selling over the counter, the producer at least was of the opinion that that price spread was exorbitant and unreasonable. Just how would you define what was actually reasonable? It is pretty hard to pin that down, but our contention is that the price spreads generally are unreasonable. Further than that I am afraid I couldn't go.

COMMISSIONER KIDD: Is that true of information you have given us here? You point out this year that the farmer is receiving 37 cents, and then you point out that the price in the store is 79 cents and 85 cents respectively for medium and







old cheddar. What is the relationship, say, two years ago? What was their share then?

MR. HILL: I would believe that the share would be much higher. I don't know if we have got the figures to support this.

MRS. STEPHENS: Not for ten years ago, but we have the wrappers for the present-day cheese.

COMMISSIONER KIDD: I am just wondering when did it start moving in this direction. Has it always been this way or is this a recent development?

MR. HILL: I would think this started, or developed, shall we say -- there was little development toward this end when the stores ceased to have cheese sitting up on the counter and sliced off the amount that you wanted.

COMMISSIONER KIDD: That is going back quite a piece.

MR. HILL: Well, in some areas, yes. In other areas not so long, but I think that this has assisted in this trend.

COMMISSIONER KIDD: Cheese is one of the items on which you put some emphasis. How do you account for the present situation?

MR. HILL: I would say that the result of processors having control of the market and taking advantage of it. You see, this cheese is bought on the market for, I think, at the present time, 35 cents a pound. Now, this cheese that has been made by the







farmer -- like the farmer has got his cows, has milked them, he has a Co-operative cheese factory, he has made the cheese, and he has put it in the warehouse and sold it over the block at 35 cents a pound. The processors have merely sliced it, wrapped it in cellophane and stamped a label on it and as is indicated here its selling price has been 89 and 75 cents a pound.

COMMISSIONER KIDD: How many processors are there?

MR. HILL: Of cheese?

COMMISSIONER KIDD: Yes.

MR. HILL: I couldn't tell you. Of course, the market is dominated by one, I believe. At least I am led to believe that there is one company which more or less controls the processing of cheese, but there are several independent processors.

COMMISSIONER KIDD: You say the market is dominated by one. How long a period would this have been true?

MR. HILL: Over how long a period has the market been dominated by this one company?

COMMISSIONER KIDD: Yes.

MR. HILL: I really couldn't answer that question, Mr. Kidd.

COMMISSIONER KIDD: So that it isn't just the package that you raise here, with which you find fault. There is this other factor too which you are





now bringing up about the control of the markets by a small number of processors?

MR. HILL: I would say that this has contributed to a larger spread between what the farmer and this small -- shall we say, small number of processors has contributed to the high spread between what the farmer receives and what the consumer pays.

COMMISSIONER KIDD: Just one more question. On page 4 you say:

"A glaring example of the increase in  
"marketing margin illustrates its effect  
"on the declining farm share of the retail  
"price of white bread."

You point out there is a drop from 23 per cent to 14 per cent. Would you like to elaborate on that?

MR. HILL: Would you like to answer this, Mrs. Prosser?

MRS. PROSSER: We have tried to get figures. In this Economic Analyst we find that our share has dropped approximately to 14 per cent.

COMMISSIONER KIDD: I am not disputing that. I was wondering if you would comment on why your share has dropped in this eight-year period from 23 per cent to 14 per cent?

MRS. PROSSER: I would suggest it is the distribution and merchandising costs. The spread is somewhat greater.

MR. HILL: One of the largest contributing

will be the same as the

the same as the

the same as the

the same as the

the same as the

the same as the

the same as the

the same as the

the same as the



factors to this has been the cost, the delivered cost, shall we say, where we have four or five different bread companies sending their trucks on the same route in the country or in town.

MRS. PROSSER: Specialized packaging, and so on, would contribute to the spread.

MR. HILL: I would say that possibly the largest contributing factor has been the farmers' inability to raise the prices of their produce as the costs of production go up and as the price to the consumer goes up. The farmer has been unable to raise the price at his end. There apparently is no way that we can have our prices follow the upward trend.

THE CHAIRMAN: I think perhaps Commissioner MacKichan has one question he would like to ask.

COMMISSIONER MacKICHAN: The question I have is on the butterfat test from the bulk handled milk. I don't know of any one thing that can rile a farmer more than to feel that their test on butter, cream or milk is not being read properly. You say:

"We would appreciate any effort on your  
"part to substantiate persistent and  
"widespread complaints of lower butterfat  
"tests on bulk handled milk."

We would like to have a bit of evidence from you as to what is happening here.





MR. HILL: I might say, Mr. MacKichan, that before bulk tanks milk was handled in cans. It was loaded at the farmer's gate and it went to the factory on a truck. This was jiggled around and the butterfat was fairly mixed through this milk. By the time it got to the factory it was butterfat.

Then the sample was taken for testing but the butterfat was fairly mixed through the bulk milk. Now with a tank truck the milk may come in a pipeline. The milk will go in there and it may be four or five hours after the milk goes in before the operator comes to pick up -- to drain the milk from the tank. Well, now, I believe there are regulations as to how long the agitator in this tank must run before the tank or before the milk is dumped from the tank into the truck, but it is only a matter of a minute and a half or so, so that here you have this whole big tank sitting idle, sitting still. The cream rises to the top. Perhaps the trucker is in a hurry. He turns the agitator on and it may be he doesn't leave it on as long as he should, and the milk is not properly mixed before he takes the sample.

COMMISSIONER MacKICHAN: He takes the sample at the farm?

MR. HILL: He takes the sample at the farm, yes,

COMMISSIONER MacKICHAN: I imagine that









the only thing is for the farmer to install his own agitator?

MR. HILL: There is an agitator in the tank, you see, but the farmer may finish milking his cows at seven o'clock in the morning and it may be on in the afternoon when the truck gets there to pick up his milk.

Unless the farmer were to leave the agitator running all the time, in which case he might wind up with butter instead of milk, or else he could come back some time during the day and keep stirring his milk, and it is practically impossible. I mean if tanks are going to be of benefit to the producers, and we are expecting that they will be, then we must have some means of getting sound butterfat tests.

COMMISSIONER MacKICHAN: I hope that I won't be disturbing anyone if I say he would be better if he got Holsteins.

MRS. PROSSER: We went to some trouble to get verification of these things from people who are in the business, and we find that since bulk tank was installed the butterfat just has gone down consistently.

COMMISSIONER WALTON: Have the farmers been able to conduct any tests to show their cows haven't changed their butterfat content?

MRS. PROSSER: Yes, I know of several





instances where they had a test done by the dairy and they had a double test again and there was quite a bit of difference in the two tests.

MR. HILL: You see, here we have a case that the buyer makes his own test. The milk is bought according to butterfat content, and the producer says how much or what the butterfat content is.

MRS. PROSSER: I would like to suggest, too, that these people that we have sheets from are all afraid to give their names for fear they will lose their contract, and that has been the great deal of difficulty we have had in gathering direct information.





MR. HILL: I might say we have a specific instance where a farmer was shipping to a dairy in a small town, and he was dissatisfied with his test, and he had the officials make tests right in his barn, and he mentioned this to the dairyman a couple of times, and it was of no use.

His tests didn't improve and so, finally, he had the people make and keep a record for months, and he had this on a certain feed, and then he went to the chap who was selling the feed to him and suggested he run an advertisement in the local paper advertising his feed and advertising this farmer's name, and advertising the butterfat test and the butterfat content test, of course, was much higher than the dairy was putting, and it was only a matter of months until his contract was cancelled.

COMMISSIONER MacKICHAN: I will make a passing reference, as Dr. Drummond did, to parity prices, which you mentioned made it effective and efficient, and if we could just continue it by working in the word "economic" in there, we would all be happy.

MR. HILL: I would go so far as to include the word "economic" in there, because it might cost the country some dollars, but it would be impossible to say how many more dollars it would pay the country, because I am a firm believe that the recession we went





through last winter, and possibly to a certain extent we are still in -- I firmly believe that agriculture was the largest contributor to that recession, and if farmers -- if agriculture -- were to be on a sound economic basis, we could make a tremendous contribution to the economy of not only Ontario but Canada as well.

MRS. STEPHENS: May I mention one thing about the shipping of milk. I was quite surprised that a man shipping to a dairy five miles from his home, and he was charged the rate he would have paid if his milk had gone to Toronto -- 35 cents a hundred, which is quite a lot.

Well, the smaller dairies figure their shipping charges on what it would cost to ship to Toronto. I have a sworn statement to that effect, and this man didn't have a signed contract to say that. They have a verbal agreement, but it doesn't seem fair the farmers shipping to that dairy pay the same thing. The dairy, in this case, operates a truck, and I wondered whether we could investigate that type of thing.

THE CHAIRMAN: What particular location are you referring to?

MRS. STEPHENS: Eastern Ontario. I would rather not state publicly the man's name or his dairy. He asked me not to.

COMMISSIONER MARTIN: May I ask that lady







if all the shippers to that plant are charged the same price -- one mile or ten miles?

MRS. STEPHENS: He says 35 cents is the rate.

COMMISSIONER MARTIN: It is common practice in many dairies' plants that I know of, and even in Co-ops, because the man who is close to the plant, if he is alone to run the plant, he won't have the volume necessary to reduce the cost, so they share the transportation. It is done by voluntary acceptance and, I should say, in practically all Co-ops in Quebec.

MRS. STEPHENS: I am sorry I didn't get my point across to you very well. He is possibly seventy-five miles from Toronto, something like that, maybe a little more, and he said his rate to ship to his local dairy is what he would pay if he were shipping in from Toronto -- that the Toronto market pretty well controls the market to the provinces. He asked me if I could have any information obtained on that.

MR. HILL: I think, Mr. Martin, that this farmer doesn't mind paying the same price to ship in to his local dairy as all of the other customers to that dairy. What he is objecting to is all the customers to this small dairy pay the same price for hauling milk as if their milk was going seventy or eighty miles further to the Toronto market.





MRS. STEPHENS: Another shipper pays 35 cents, and his milk goes to Toronto. It is really hard to get information from these men. They are definitely worried because they have such an investment in their equipment.

We have figures about the amount of money they have had to invest. They can't take any chance of anything happening to their contract. I couldn't find a single instance of this contract. It is an agreement. I said I would like to see a contract, and he said, "I don't know anyone that has one."

THE CHAIRMAN: Thank you for mentioning it. We can follow the point up. Thank you, Mr. Hill.

MR. HILL: Thank you very much.

THE CHAIRMAN: Mr. Ross, we sent you a questionnaire, and you were good enough to indicate that you would return it to us in due course.

MR. ROSS: Yes.

THE CHAIRMAN: We also appreciate your acceptance of the invitation to come here while you were in Toronto. I am not sure whether you have a statement or not.

MR. ROSS: No, I do not.

THE CHAIRMAN: In that case, might we ask a question or two?

MR. ROSS: Yes.

THE CHAIRMAN: We did send you a copy of





our plan. You could have a look at it. We feel that what this plan represents is really the problem with which this Commission has to grapple, or, to put it another way, that if these plans haven't diverged in the way they have since 1951, you probably wouldn't be here today, nor would we.

MR. ROSS: Right.

THE CHAIRMAN: So, I think this is the essence of our problem now. As you know, the lower line is the DBS Index of Farm Prices -- that is prices received by farmers -- now on the basis of 1949, on the upper black curve, is the food component of the Dominion Bureau of Statistics Cost of Living Index.

Mind you, of course, they start it back at 1949, merely because the index numbers are based on that year.

MR. ROSS: Yes.

THE CHAIRMAN: And, then, they continue to parallel one another to 1951, and since then they have diverged with the farm prices more or less continuing the falling until 1957. In the case of the consumers' index, fall into 1952, 1953, and then some stability after that. Then, rising after 1956.

Now, we have to try and explain how this all comes about. You might say, "Well, wheat cereals are a component of both of the unrefined form and

... ..  
... ..

... ..  
... ..  
... ..  
... ..  
... ..

... ..  
... ..

... ..  
... ..  
... ..  
... ..

... ..



the processed form, but they are only a component." In fact, if you take wheat out of the lower curve and cereals out of the upper curve, it doesn't affect too greatly the relationship. So, this is a fairly common phenomena.

Now, we would be glad if you have any comments on this which you think might help us in attacking the problem as to what happened in this period to affect those relationships between the prices.

MR. ROSS: Well, it would be a rather difficult question for a baker to answer. We don't deal with the farmer, as you all understand in a very direct way. We don't buy wheat. That was once something that the baker did, but that has not been done for a number of years.

Of course, we buy flour; we buy lard in an indirect way, too, and we buy sugar from the beet farmer, but those are about the only three spots that in my opinion come into this.

And, so far as our own industry is concerned, certainly our prices have gone up for various reasons, as you probably have been told already by our national manager here.

So, I am wondering how I can in any way help to answer the question that is posed here. We buy lard on a competitive market. When the hog run is on, our lard is cheaper. When the beet run







is on, our sugar is cheaper. It is entirely supply and demand as far as we are concerned for those two products.

COMMISSIONER DRUMMOND: What you are saying is as far as your industry and your company is concerned, it has very little effect on the direction that lower curve takes?

MR. ROSS: That is my feeling, yes.

COMMISSIONER DRUMMOND: On the other hand, you have a very distinct effect on the direction the upper curve takes?

MR. ROSS: Yes, we do, by the prices we pay for the various products we use, and those products, in the ingredient form.

The brief that was presented shows somewhat the downward trend, whereby that downward trend has been made up by an increase in the cost of packaging and in the cost of labour, and not entirely in increased rates, but in shorter working hours.

We are no better off today, unhappily, than we were back in 1949 from the point of view of earnings. I could say that our company is a little fortunate as the brief indicates that, apparently, most other bakeries, at least many of them, about two per cent of their sales. I have never been fortunate enough to do that, and I would like to very much. If there is any way you can help me to do that I would appreciate it.





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

2466

COMMISSIONER WALTON: In the National brief that was presented, Mr. May mentioned that trucking transportation -- transportation had been one of your major factors that figured very largely in the cost, and that some bakers had discontinued the door-to-door delivery because of the cost, and were what you call wholesaling into the retail stores. Are you still doing door-to-door sales?





MR. ROSS: Yes, we are. We have three divisions in our company. We have the wholesale division, which supplies stores, restaurants and institutions. We have home service, or door-to-door delivery; and we have the chain store or supermarket delivery. They work entirely separately from each other.

COMMISSIONER WALTON: Do you find the door-to-door is a losing proposition on costs?

MR. ROSS: No.

COMMISSIONER WALTON: Is the unit cost higher?

MR. ROSS: No, because we don't apply the complete unit cost on door-to-door. The fact we have the volume in our plants helps us considerably to keep our plants going.

COMMISSIONER WALTON: I raise this question because we have heard today on two occasions, from the Consumers Association and again from the last group to present a brief, that from their point of view, with the duplication of milk wagons and bread wagons on the same street; now, I admit they all start out with a full load, but this seems to be the impression that has been given to us on occasions, that it is wasteful and inefficient and too costly?

MR. ROSS: It seems to be impossible to solve. We have gone this far: in the last four





or five years we have cut our daily deliveries down to three-day a week deliveries, and in some areas, a five-day delivery instead of six, and in that way we have managed to keep our costs level. We haven't improved our situation.

COMMISSIONER MacKICHAN: Just for the sake of background, would you describe the organization of Canada Bread?

MR. ROSS: Yes. We are divided into five areas: one area comprises Winnipeg, Fort William; another London, Windsor; another Toronto East, and another Toronto West, and one area Montreal, Ottawa. In these areas we have nine production plants. We have thirty-nine depots where we have trucks stationed to receive loads from the nine production plants, which they distribute through their various areas.

COMMISSIONER MacKICHAN: And you felt that was the most efficient and economical way of setting up the manufacturing and distribution systems?

MR. ROSS: Yes. It is not a matter of choice; it was a matter of necessity. In the last five or six years we have spent three and a half million dollars in putting our plants into first-class, efficient shape, and we just cannot afford to spend that kind of money any more on the nine plants I have mentioned. We have closed seven plants in the last four years, and centralized production.







ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

2469

COMMISSION MacKICHAN: What would be the relationship between the wholesale and retail of your sales?

MR. ROSS: I have got it for a five-year period that may be of interest.

COMMISSIONER MacKICHAN: I was just going to ask if that relationship had changed in recent years, and your five-year period will give that.

MR. ROSS: Yes, it has. In 1954 our wholesale sales represented 51.4 per cent of our production; in 1955 they were 51.6; in 1956 they were 55.3; in 1957 they were 56.3, and in 1958 they were 57.1. That is wholesale only.

I should say I am speaking only of bread at this point.

Retail for the same years: 48.6, 48.4, 44.7, 43.7, 42.9. So, it is apparent that our wholesale business has increased and our home service business has decreased.

In sweet goods and cake, in 1954 our wholesale represented 51.9 per cent of our business; in 1955, 55 per cent; 57.2, 55.1, and the year we have ended in June last, 56.4.

Our retail sales: 48.1, 47, 42.8, 44.9, 39.6.

So, our wholesale sales have shown an increase in sweet goods and cakes, and our retail has





shown a decrease.

In total, the percentages in 1954 were: 51.8, and in 1958, 58.3, in wholesale total. Retail, 48.2, dropped to 41.7. So, the total story virtually is the story of the sections as well.

COMMISSIONER COUVRETTE: What is the comparison of the prices between bread sold at home and in the stores?

MR. ROSS: Well, it varies in every area that we operate in. There is a spread in Winnipeg of  $3\frac{1}{2}$  cents between the chain store price and what we sell the bread for through stores under our own brand and to the householder. In Toronto the spread is 4 cents. In other places it is 2 cents. It varies as the market has developed.

COMMISSIONER COUVRETTE: Always lower in the chain stores?

MR. ROSS: Yes, sir.

COMMISSIONER COUVRETTE: Do you attach much importance to brands as far as bread goes?

MR. ROSS: We do in our company, yes. We have a brand name that we have developed over a period of years, and a good deal of money has been spent on advertising that brand, and we feel it finds acceptance in the hands of the consumer.

COMMISSIONER DRUMMOND: In regard to your physical distribution, you mentioned that you had a number of depots: is that what you called them?





MR. ROSS: Yes.

COMMISSIONER DRUMMOND: What precisely is the depot, and how is the bread taken to it and from it?

MR. ROSS: Well, a depot is a building that we usually erect, and it holds anywhere from ten to twenty motor vehicles in charge of a sales supervisor, and the bread is taken from the closest production plant by transport and delivered to the depot and put up into salesman's orders, and he puts it into his truck. The pallets go back in the same transport as brings the bread out.

COMMISSIONER DRUMMOND: Am I right in understanding when you said you had reduced the number of plants?

MR. ROSS: Yes.

COMMISSIONER DRUMMOND: You mean bakeries?

MR. ROSS: Production plants, yes.

COMMISSIONER DRUMMOND: What is the reason primarily for that?

MR. ROSS: The possibility of unprofitability. We had to move from smaller plants into centralized production.

COMMISSIONER DRUMMOND: To get the benefit of the sales?

MR. ROSS: Yes.

COMMISSIONER DRUMMOND: Did the change in the country's population have an important effect?





COMMISSIONER DRUMMOND: Yes, quite an important effect. We have found in many areas that people seem to be leaving the country areas and coming to the cities, and there is less production in those places. It was not possible for us to keep going on there.

COMMISSIONER MacKICHAN: Would a large portion of these people be baking their bread at home, if they are farm areas?

MR. ROSS: Well, I don't know. There is a lot of bread baked in the home even today, but there is much less than there was ten years ago, but we find, as a rule, when business is bad or we have recessions or depressions that many people go back to baking bread again and they can very easily do it. We are not the type of business that has an article that cannot be made by housewives themselves.

COMMISSIONER DRUMMOND: In regard to the pricing policy, Mr. Ross, one notices from time to time in the daily press the price of bread has gone up one cent a loaf in a particular area or section of the country. I think I recall this year it went up in some places, for instance, in the Maritimes, and a few weeks later in Quebec, and then in the West; I was wondering if there is such a thing as a regional pattern in bread prices?





PM:12  
10/12



ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

2473

MR. ROSS: No, it is not a pattern but there is a very sound economic problem involved. All of the bakeries in the main are in exactly the same position as far as their purchasing is concerned and very few of the operators of our type can buy for any better prices than anybody else. Therefore, when somebody finds out their revenue is not keeping up to the interest and they are not getting a return on their investment they then decide they will raise the price of bread and that is done. We decide to do it and we do it and if our competitors see it and follow up then it is a success story because if they do not follow up we have to back down.

COMMISSIONER DRUMMOND: There is no reason why the price should go up or down in any one place first?

MR. ROSS: No.

COMMISSIONER COUVRETTE: What is the proportion done in bread as compared to other products?

MR. ROSS: From 1953 to 1958: 1953, 75.7 per cent; 1954, 72 per cent; 1955, 69.8 per cent; 1956, 66.5 per cent and 1957, 64.1 per cent. That is bread. In 1958, 64.3 per cent.

COMMISSIONER WALTON: It has gone down?

MR. ROSS: Yes, sweet goods are the rest of the figure, it moved from 25.3 to 35.7.

COMMISSIONER MARTIN: A moment ago you mentioned the new investment of your company at a





cost of three and a half million dollars. This is a bad question for me because this morning somebody referred to what is I think the general practice in calculation to use part of their profits, not distribute them, to enlarge their facilities. We have been told that the customers are having to pay for the expansion of the facilities. Can you comment on that?

MR. ROSS: Well, only to say that it is a very true situation, the money I spoke of was not earned in its entirety so we had to go and borrow it and pay interest on it and it is part of our expenses. Is that what you had in mind?

COMMISSIONER MARTIN: Suppose the corporation, not mentioning yours in particular, has \$1 million profit after income tax and suppose that corporation uses part of its profit to pay a dividend, which is the general practice, and suppose after that you still have one-third of a million dollars so you reinvest that in your corporation. That \$1 million while it comes from your profits, the profits is the difference between your selling price and buying price or cost price, and this morning somebody said that it is not right to charge the consumer the cost of expansion of a corporation.

MR. ROSS: Of course, the answer to that question is that we have never made \$1 million or





three-quarters of a million dollars. Our statement appeared in the paper this morning and we made \$412,000 and we have about \$12 million invested, so we are not what you would call a very prosperous industry.

THE CHAIRMAN: There was a general point I had in mind when I opened the reference to this chart. I realize that this is not the kind of question you can answer from your own particular business or business experience but you have heard the group preceding you and their great concern is over this spread; in other words, their price is going down and the costs are going up and it is quite a problem already.

Now, when you talked to us you explained the upper curve by saying the costs are rising and therefore you have to increase your prices. You said this a minute ago with regard to the specific costs involved in this question, but you in some way or other -- I do not mean you particularly, but a business man can in some way or another raise his prices because his costs go up and obviously the farmer cannot do that. Now, what is the explanation of this and how do you explain to the farmer these different circumstances exist?

MR. ROSS: I am afraid that is beyond my economic knowledge. I heard the last group which appeared and it must be very difficult indeed to be







in a situation where you cannot compensate yourself for an increase in costs. I am sure the farmer has increased costs too but he cannot get any more money for his crop it would seem from the story we have heard.

THE CHAIRMAN: We have to try to find an answer to that. I was not sure it was a fair question to ask you but I thought I would try. However, we do have these two different circumstances where the producer can recover the costs but the other group cannot.

COMMISSIONER DRUMMOND: There is from time to time, Mr. Ross, comment that the price of wheat and therefore the price of flour has gone down and at the same time the price of bread is going up. You probably have heard that. Would you go so far as to say that if the cost of your flour that you have to buy keeps on going down you could get it for nothing, just imagine that -- that would not prevent the price of your bread rising?

MR. ROSS: I do not think so. It is common knowledge in our industry that in time the price goes up. That has always happened on every price increase we have experienced and from our point of view as an operator if our prices were reduced to the price where I might reduce the price of bread I would do it tomorrow. I think our brief pointed out that only 20 per cent of the cost represents the flour.







That has not always been true, but I am thinking back some thirty-five years.

COMMISSIONER KIDD: Could you tell us something about the changes in the price of flour in the past few years, relatively? I do not mean exact figures.

MR. ROSS: Well, actually they have shown a downward trend.

COMMISSIONER KIDD: Very much?

MR. ROSS: I could not tell you offhand but the prices for our company are typical.

COMMISSIONER KIDD: It is a similar price for all the industry, is it?

MR. ROSS: Well, it seems to be.

COMMISSIONER KIDD: I was wondering would you as a subsidiary of another company pay the same price for flour as a competitor who is not a subsidiary?

MR. ROSS: Well, as the operator of Canada Bread I keep a close check on flour prices. As you probably know our business is controlled by a milling company and I am not tied to buy my flour from that milling company although I would be very stupid indeed if I did not buy it if prices were equal. I would think that most bakeries pay about what we pay for flour, yes.

COMMISSIONER KIDD: You mentioned that your costs have been rising. Do I gather from what you have





said that you have been able to recover those costs?

MR. ROSS: To some degree by automation.

COMMISSIONER KIDD: Your profits have risen this year?

MR. ROSS: Well, my association with this company is seven years old and in the last three years we have had an average development and that average is from \$370,000 to \$412,000.

COMMISSIONER KIDD: You mentioned the wage cost going up but at the same time you mentioned the number of plants had gone down. What about the number of employees on production?

MR. ROSS: The number of employees on production would be -- I am guessing a bit, but I would say about eighty per cent to what they were originally.

COMMISSIONER KIDD: So your payroll, even though your individual wage costs have gone up, your payroll would not have risen in the same relative size because your number of employees is down?

MR. ROSS: That is right, but the dollars are definitely up.



EL:12  
10/12



ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

2479

COMMISSIONER KIDD: Oh, yes, the dollars would be up.

I suppose it is impossible at this stage to go much further in that, but I was interested in the point you made about the number of plants being down, because that has a bearing on the productivity?

MR. ROSS: Yes.

COMMISSIONER KIDD: And apparently you have had improvements in that regard?

MR. ROSS: Yes.

COMMISSIONER KIDD: I recall in the discussion with Mr. May in Fredericton there was mention of wages, and I believe he agreed that the wages in the baking industry were somewhere in the lower half of the leading four industries in this country. If that is so, you wouldn't -- shall I put it this way: you wouldn't suggest that your wages had risen to the point where it forced up the price of your bread entirely to the present level; it is one factor?

MR. ROSS: It is one factor in many, yes.

COMMISSIONER KIDD: But taking the two things together, or all three things, the increase in productivity, the increase in wages and the drop in the number of employees, it is the total reason why your bread has risen?

MR. ROSS: Yes.

COMMISSIONER KIDD: Have you any more information as to the other problems? You mentioned





flour.

MR. ROSS: Yes. The general trend in packaging has been a very large factor.

COMMISSIONER KIDD: Very large cost?

MR. ROSS: Yes.

COMMISSIONER WALTON: In both equipment and unit packaging?

MR. ROSS: Yes.

COMMISSIONER KIDD: Have you increased the variety of bread?

MR. ROSS: Yes, we have. The variety of bread is a very large factor in the market today, and because you don't make a sufficient amount of it it has a cost much higher than what we call our standard run.

COMMISSIONER KIDD: What about your total cost?

MR. ROSS: Well, I would be in speculation, but I think it would be a very good idea.

COMMISSIONER KIDD: Something was said earlier about the cost of, let us say, the major companies in the baking industry would be similar in all respects?

MR. ROSS: I think so relatively. I don't know what my competitors pay.

COMMISSIONER KIDD: The reason I ask that is that Mr. Drummond asked a question about the price of packaging, and it seems to me that as the price







rises it is going to rise somewhere else, so I am wondering if you suggest the costs of all the competitors would be similar.

MR. ROSS: In my experience, I would say that would be fairly true, yes.

COMMISSIONER KIDD: In the method of production?

MR. ROSS: Yes, in this area, very definitely.

COMMISSIONER KIDD: Automation has become a factor?

MR. ROSS: Yes.

COMMISSIONER DRUMMOND: Is the average distance that you transport bread increasing?

MR. ROSS: Yes. The average distance that was deemed possible a few years ago was one hundred miles, but that has increased because of better transportation facilities and better roads.

COMMISSIONER DRUMMOND: But despite that, has the unit cost increased?

MR. ROSS: Yes.

COMMISSIONER KIDD: Why? -- seems to be the obvious question.

MR. ROSS: Well, I am afraid it is the same two factors, increased cost of automotive equipment, and also the fact that we pay the people that are doing the transportation more money for the job they are doing.





COMMISSIONER KIDD: This would be straight trucking people?

MR. ROSS: Well, they are our own people. They are a separate group entirely. Their job is to deliver bread to certain places each night.

THE CHAIRMAN: There was one other matter which was discussed with Mr. May. I don't know whether it is possible to get any definitive answer on it, but the question was how far this increased attractiveness of the product in the fancy package and so on, in spite of the fact that it tends to raise the price because it has the additional cost, may increase the quantity of the raw material which is bought. The total demand for the raw material is increased because of this additional feature that is attached to it.

MR. ROSS: Well, I think in the main it has increased retail sales. It has done some good, too, because it has given the purchaser a more attractive package when she is taking it home; the cardboard that is used is a better cardboard -- at least in our company -- and the cellophane is a better cellophane, so when the purchaser purchases the item she has something which she enjoys eating. It has also a coating, and the freshness is assured.

If our competitor has a similar product in a fancy package, our sales immediately start to go down. So we start to find a very attractive package.





It is awfully stupid, but that is the way it is.

COMMISSIONER MacKICHAN: What about waste?

MR. ROSS: Well, waste is the biggest problem we have. This particular business of ours is a highly competitive one, and if a bakery puts out a new package tomorrow morning, I will have four in my desk in the afternoon that the sales people have put in. The salesman loses commission so he has less earnings.

COMMISSIONER DRUMMOND: Speaking of wastage and better cardboard, does that tend to prolong the freshness of bread?

MR. ROSS: Yes, it does.

COMMISSIONER DRUMMOND: Does it tend to decrease the wastage?

MR. ROSS: No. We thought that is what it would do, but it hasn't done it.

COMMISSIONER WALTON: Mr. Ross, I have noticed when I was in stores, self-service stores and chain stores, if you wish, and I have seen the bakery truck come up to the store, and he loads and re-arranges and takes. Is that true of every bakery? Do you pay any premium? Is there any competition -- or is this an unfair question to ask -- between three or four bakeries? What about your shelf space?

MR. ROSS: Well, we don't reach them at all. We don't pay for it. The salesman has the responsibility to take in outmoded merchandise of that





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

2484

brand, and he brings that merchandise back to us.

COMMISSIONER WALTON: Does the store allocate the shelf or the particular location?

MR. ROSS: The best personality gets the best sales.







COMMISSIONER WALTON: There is usually a bakery section?

MR. ROSS: Yes, that is right.

COMMISSIONER WALTON: It has been indicated to us that for some time there is incentive given, that it is very important that you get your product in the middle shelf or close up to something else, that you probably pay for the privilege of getting it.

MR. ROSS: We don't do that. The old bread salesmen, of whom we still have a few, they just cover up the competitor's bread.

COMMISSIONER COUVRETTE: Would that be bread under your own brand?

MR. ROSS: Yes.

COMMISSIONER COUVRETTE: Do you label brands or organizations by their own labels?

MR. ROSS: Yes.

COMMISSIONER COUVRETTE: You do?

MR. ROSS: Yes.

COMMISSIONER KIDD: You mean on the same shelf you could have Toastmaster bread?

MR. ROSS: No. Well, that is virtually so in the chains, yes.

COMMISSIONER KIDD: In the chains?

MR. ROSS: Yes. There would be a section of what they now call a stencilled brand, which is a new name recently developed, and our own Toastmaster brand.





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

2486

THE CHAIRMAN: Well, Mr. Ross, we are looking forward to receiving the donation which you are sending to us, but I think this conversation will help us to understand and appreciate it better. Thank you very much.

MR. ROSS: Thank you very much.

---Whereupon the Commission adjourned at 5.10 p.m. to resume at 10.00 a.m., Monday, September 15th, 1958.



*Clarity Walter*



# ROYAL COMMISSION

ON

## PRICE SPREADS OF FOOD PRODUCTS

HEARINGS

HELD AT

TORONTO

ONT.

VOLUME No.:

16

DATE:

SEP 15 1958

OFFICIAL REPORTERS

ANGUS, STONEHOUSE & CO. LTD.

371 BAY STREET

TORONTO

EM. 4-5773 EM. 4-5865





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

ROYAL COMMISSION ON PRICE SPREADS  
ON FOOD PRODUCTS

---

Proceedings before the Royal Com-  
mission on Price Spreads of Food  
Products commencing at 10.00 a.m.,  
Friday, September 12th, 1958, at  
Toronto, Ontario

---

CHAIRMAN:

Dr. Andrew Stewart

COMMISSIONERS:

Mrs. Dorothy Walton  
Mr. J. Howard MacKichan  
Mr. Romeo Martin  
Mr. W. Malcolm Drummond  
Mr. Cleve Kidd  
Mr. Bernard Couvrette

Secretary

John A Dawson

Assistant Secretary

A. A. Caron

---







Monday, September 15, 1958

RY-nd -A.

---On resuming at 10:00 a.m.

Submission of

THE ONTARIO FEDERATION OF AGRICULTURE

Appearances:

Mr. Lloyd Jasper	Immediate Past President
Mr. H. M. Arbuckle	General Secretary
Mr. Cecil Belyea	Economist
Mr. J. A. Ferguson	A Past President
Mr. K. M. Betzner	A Past President
Mr. Bill Tilden	Second Vice-President
Mr. Colin Brether	Editor of the Milk Producer
Mr. Charles Milton	Secretary of the Con- centrated Milk Producers
Mr. George McCague	Member of Executive
Mr. R. Jardine	Secretary-Manager of The Ontario Cream Prod- ucers Marketing Board.

-----

THE CHAIRMAN: I will ask you to come to order, please. The first brief this morning is on behalf of the Ontario Federation of Agriculture, and this will be Exhibit No. 52.

EXHIBIT NO. 52: Brief of Ontario Federation of Agriculture.

THE CHAIRMAN: The brief will be presented by Mr. Lloyd Jasper, Immediate Past-President. I understand, Mr. Jasper, you have associated with you here this morning Mr. H. F. Arbuckle, General





Secretary, Mr. Cecil Belyea, Economist, Mr. George McCague, Mr. J. A. Ferguson, Mr. K. M. Petzner, Mr. Bill Tilden, Mr. Colin Brether, Mr. Charles Milton, and I understand these gentlemen are present, and we will be glad to have them take part in the discussion and questions after you have presented your brief.

MR. JASPER: Thank you very much. Mr. Chairman, Mrs. Walton and other members of the Commission: The O.F.A. now incorporated under the Ontario Companies Act is a federation of 48 county and district federations of agriculture, 22 commodity marketing boards and associations, four co-operative organizations including the United Co-operatives, and eight agricultural educational organizations including the Federated Women's Institutes of Ontario and the Ontario Junior Farmers Association.

The O.F.A. speaks for the great majority of farm landowners in the Province of Ontario and seeks by all democratic and reasonable means to safeguard the social and economic welfare of farm people represented by its member groups.

The Ontario Federation of Agriculture, representing the organized farmers of Ontario welcomes any occasion permitting the expression of its views on farm problems. In the matter of





price spreads it sees in the present Royal Commission opportunity presented in its most glittering form. There is the promise, at least, that an attempt will be made to investigate the causes of the problems presented even if the cures remain, pro tem, either too difficult technically, or else inexpedient politically.

THE FARM VIEW:

The appeal by farm groups for the establishment of the price spread commission was a strong one. Possibly it stemmed less from a comprehensive knowledge of the marketing system and its costs than from a more superficial calculation of the difference between what the consumer paid at retail and what the farmer received for the raw product at his gate. No farmer buying a steak on a railway dining car, for example, could fail to be impressed by the fact that the accustomed 10 per cent tip to the waiter approximated the warm carcass value per pound of the animal he had fed to maturity. No amount of economic rationalizing would convince him that somebody somewhere with more wit than capital invested in entrepreneurial activity wasn't making a financial killing.

One might expect, therefore, that, in voicing his general criticism of the marketing system, the farmer would pay particular attention to the more dramatic examples of profit-taking and trust the commission to investigate less





obvious manifestations. These expectations may well be realised in this brief.

Here are some considerations which influence farm opinion:

- I. Ontario farm cash income has tended to decline slightly during the period 1951-57, while farm net income during the same period has plummeted from \$431.2 million to \$322.0 million (- 33.9 per cent) (D.E.S.).
- II. The index of farm prices of agriculture products (1935-39 = 100) has dropped from 296.8 in 1951 to 225.8 in 1957 (- 31.4 per cent) (D.B.S.)
- III. Annual consumer expenditure per capita on food in Canada has increased during the same eight-year period from \$3,619 million to \$4,810 million ( 32.9 per cent). (D.E.S.)
- IV. The farm share of the consumer's dollar as calculated by R. Perreault (Calculated from Table 1 of "Notes on Marketing Margins and Farm Share of Retail Cost, 1949-56" by Roger Perreault, The Economic Annalist, June 1957.) for 14 farm commodities representing 75 per cent of the retail cost of farm foods of Canadian origin had declined from 51 per cent in 1949 to 45 per cent in 1956 ( - 13 per cent).
- V. The index of average marketing margins for the same fourteen commodities (1949 = 100) by 1956 had risen 29.7 per cent. (Calculated from Table 1 of "Notes on Marketing Margins and Farm Share of







Retail Cost, 1949 - 56" by Roger Perreault, The Economic Annalist, June 1957.)

Noting that these figures do not describe the precise nature of the disparity between retail and farm prices, they are enough to arouse the interest and suspicion of farmers and consumers alike about that mysterious economic domain ruled by the middleman. The farmer, however, is not so callow as to suggest that a middleman, by definition, is a person who performs unnecessary services at unreasonable cost. By and large, he appears to be satisfying consumer wants (if not needs) with considerable diligence at a price the consumer appears to be willing to pay. It is true that some are aided in the performance of want-satisfaction by the uncritical use of the knowledge that a brightly-coloured box containing chances on a Cadillac, or a piece of sparkling third-grade silverware, and occasionally a product which really does reduce so-called household drudgery is bound to meet with uninformed consumer acceptance until something more attractive comes along. In the main, however, the middleman's contribution to food selling has resulted in a wider and deeper penetration of the potential market. At the same time, the farmer would contend that, in recent years at least, the cost of whetting the appetite of the consumer for foods of better quality has resulted in higher prices at retail or a reduced



share of the consumer's dollar at the farm, or both. As an instance of the trend toward wider margins, an examination of the real costs of marketing based on the Perreault study of 14 basic farm-produced commodities is of interest;

AVERAGE ANNUAL MARKETING MARGINS, 14 SELECTED COMMODITIES  
IN CONSTANT (1935-39) DOLLARS - CANADA 1949 & 1956  
 (Derived from Table 2 of above using  
 "General Wholesale Price Index" as deflator).

<u>Commodity</u>	<u>Unit</u>	<u>1949</u>	<u>1956</u>	<u>% increase or decrease</u>
		<u>¢ per unit</u>		
Wheat flour	lb.	1.9	2.2	15.7
White bread	lb.	3.9	5.1	30.8
Beef, blue brand	lb.	9.3	11.2	20.4
Pork	lb.	10.7	12.2	14.0
Chicken	lb.	13.0	11.6	-12.1
Eggs, A large	doz.	5.6	7.2	28.6
Fluid Milk	qt.	4.0	4.5	12.5
Creamery butter	lb.	7.7	6.4	-20.3
Cheese, plain process $\frac{1}{2}$ lb. pkg.		9.6	9.5	- 1.0
Potatoes	10 lb.	9.2	13.0	41.3
Canned Peaches	15 oz. tin	7.8	7.2	- 8.3
Canned Tomatoes	28 oz. tin	8.1	6.9	-18.8
Canned Corn	20 oz. tin	8.2	6.9	-18.8
Canned Peas	20 oz. tin	7.4	8.0	8.1

ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO





If the figures in the above table present nothing more than an approximation of the real increase in spreads between farmer and consumer then the present investigation is in order.

The blame for this situation is difficult to fix. The farmer can say with assurance that he is not responsible. His prices are declining. Representatives of each step in the marketing process also will disclaim responsibility although exhibiting a tendency to point to increased labor costs and the demand for new services as casual factors. The consumer probably will admit to a degree of satisfaction with the new services but will also point to the facts that under modern supermarket merchandising conditions he asks for no credit and absorbs the hidden cost of delivery. Amid these protestations of innocence and the invariable insistence that guilt lies in some other quarter, the farmer continues to feel that the finger of suspicion is pointed most often in his direction. Whether or not these feelings have any basis in fact, he is impelled, nevertheless to assure consumers that increased retail prices do not stem necessarily from increased farm prices nor do the two necessarily bear any relation one to another.

Another dilemma in which the farmer finds himself arises out of what his attitude should be concerning the consumer's welfare. Economic





philosophers tell him that he should favour lower retail prices both for the sake of his own, as well as for everyone else's, pocketbook. Humanitarians, pointing to a billion undernourished bodies, glorify increased production. While weighing these sentiments, the farmer remembers that, because of the sticky nature of marketing costs, farmers in total normally enjoy better financial returns when yields are around the average than when crops are bumper. He views with wonder and envy the logical way manufacturers generally go about the tailoring of production to equate as closely as possible with demand. He wonders which will yield him more income, consumers buying more food at the same prices, marketing margins remaining relatively fixed, or buying a little less at higher prices. Probably the latter situation would give him a bigger share of the consumer's dollar even if the fellow in between did charge a bit more for services. Should his first concern be to better the ultimate consumer's level of living or his own? Or, can both objectives be accomplished simultaneously? As if in answer to these somewhat emotional thoughts, learned voices are instantly raised to tell him that unless and until he can control production, or marketing, or both, he had better forget about wanting to have a say about price. At this point he turns in despair to his organization, which assures him that through farmer-







owned co-operatives and producer marketing boards he can influence his prices, can control movement to market of his products, can, through integration of functions, diminish margins.

Pondering these assurances, he hopes the development of market power from the bottom up will be accepted.

THE STATISTICAL VIEW:

In the foregoing statement of farmers' attitudes and suspicions concerning marketing margins it must be admitted that the supporting evidence has been largely of an unrefined character. This difficulty pervades the whole field of investigation into price spreads. Published information is not merely scanty; it makes no claim to be more than relatively accurate. Beyond question, the ultimate answers will be found through intensive research using cost accounting methods.

Nevertheless, using the statistics at hand it is possible to come to some rough approximations of trends in consumer spending and the influence of these trends on the farm share of the consumer's dollar. The rise in consumer expenditure on food between 1951 and 1957 was noted earlier (up 32.9%). Between 1949 and 1957, consumer expenditure on food climbed from \$2,887 million to \$4,810 million. This rise has been caused for the most part by the increase in Canada's population between those years from 14,009,000 to 16,589,000. Reducing these food expenditures





to a per capita basis we find that the actual expenditure on food per person rose from \$215 in 1949 to \$290 in 1957, an increase of 34.9 per cent. The food component of the consumer price index (1949 = 100) for the same years climbed more modestly by 18.6 per cent. This indicates that, in relation to the 1949 market basket, the average consumer was consuming food either of better quality or in greater quantity and probably a combination of both. (NOTE: It might also indicate a marked rise in food expenditures in public and institutional eating establishments. An estimate by trade associations representing the catering industry places the total volume of food sales by that industry at \$750 million in 1957. It is also estimated that 28 per cent of wholesale food purchases in 1957 were made by public and institutional eating places. The rise in the major sector of this industry is given by the retail sales figures for restaurants which stood at \$438 million in 1951 and had gained to \$520 million in 1957, an increase of 18.7 per cent. This percentage rise, however, matches almost exactly the percentage increase in population and hence is insignificant. Any increased tendency for Canadians "to eat out" must have occurred in the institutional sectors (schools, hospitals, employee cafeterias etc.,). It is unlikely that expenditures in this area



account for a significant part of the increase in food expenditures.)

TABLE 2

QUANTITIES OF SELECTED FOODS PURCHASABLE WITH ONE HOUR'S INDUSTRIAL WAGES, 1939 and 1944 - 57, CANADA

YEAR	BREAD	MILK	BUTTER	ROUND STEAK	BACON	EGGS
	24-oz. loaves	qts.	lbs.	lbs.	lbs.	doz.
1939	5.2	4.4	1.7	2.1	1.4	1.4
1944	7.1	6.9	1.8	1.9	1.4	1.6
1945	7.0	6.7	1.8	1.8	1.3	1.5
1946	7.1	5.7	1.6	1.7	1.2	1.4
1947	7.4	5.3	1.5	1.8	1.2	1.6
1948	6.8	5.1	1.3	1.6	1.1	1.5
1949	6.7	5.5	1.5	1.5	1.2	1.6
1950	6.7	5.7	1.7	1.3	1.3	1.8
1951	6.8	6.0	1.7	1.2	1.4	1.6
1952	7.3	6.1	2.0	1.4	1.9	2.2
1953	7.5	6.4	2.1	1.8	1.6	2.0
1954	7.5	6.7	2.2	2.0	1.5	2.5
1955	7.7	6.8	2.2	2.0	1.9	2.3
1956	7.6	7.1	2.4	2.0	1.9	2.4
1957	7.4	7.1	2.4	2.1	1.6	2.9

The next question is, what part of the per capita disposable income did food expenditures make up? In 1949 food expenditure accounted for 24.4 per cent of disposable income, close to the long term average of 25 per cent, while in 1957 they accounted for only 22.7 per cent. Such a decline would seem to indicate that as well as buying more and better quality food, the consumer bought at bargain prices relative to his ability to pay (See Table 2). These benefits to the consumer are reflected in the previously noted substantial fall in the index of farm prices occurring over the 1951-1957 period. During this



ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO



same period the real costs of marketing rose and, undoubtedly, have continued to rise.

To recapitulate, the significance of these data, if they present the situation with reasonable accuracy, is as follows:

1. A portion of disposable consumer income remains available for greater expenditure on food, - presumably equivalent amounts at higher prices.
2. The net effect of increased marketing margins has resulted in a reduction in the farm share of the consumer's dollar and relatively insignificant increases in the consumer's food price index.

The crude approach to the price spread problem seldom yields rewarding information. What is required, if best results are to be obtained, are studies on a day-by-day, crop-by-crop, year-by-year, store-by-store basis. We need studies on time and motion, transportation and delivery, optimum firm size; we need to examine the effects of credit extension, merchandise exchange, special packaging, bonuses, draws, gift stamps; we need to know how prices are actually determined under the prevailing conditions of imperfect competition. We need to explore all manner of technological gains and discover as well relatively painless means of introducing these gains into the marketing system. Where do such studies exist? In Canada practically







nowhere. To the best of our knowledge, virtually the only detailed study of marketing margins is some work begun by the Farm Economics Branch of the Ontario Department of Agriculture a short time ago and covering, in particular, foods which move intraprovincially with little or no physical change from farm to consumer. Tables showing the results of this investigation will appear in the brief to be presented later by the Province of Ontario.

In commenting on these tables, the OFA strongly recommends that they be studied carefully by the Commission and that a concentrated effort be made to collect and study similar information. While not being in a sufficiently informed position to criticize the operations represented by the figures in the tables, we have been struck by the rather wide fluctuations in margins occurring both at wholesale and retail levels in some commodities, the seemingly large retail margin in certain cases, the apparently unrelated movement of prices at different stages and the relatively stable margins in the case of products under Government price support. In some cases also, there is apparent evidence of the conventional pattern of low, fluctuating prices while the product is in the "weak" farm position, followed by stronger, more stable prices when the product moves into the control of "stronger" hands.

On behalf of poultry producers we should





like to draw particular attention to the violently fluctuating margins in egg marketing both at wholesale and at retail. Egg marketing, in particular, presents a situation wherein the wholesaling function is becoming much less important in the marketing system. It is said by some authorities that the bulk of eggs sold in Ontario proceed directly from producer to chain store under contract at a price which is related to the Toronto Wholesale price. If this is so, it is particularly important that the Toronto price reflects supply and demand conditions accurately. Can this be so when prices are obtained from jobbers who may actually handle a very small proportion of total egg supplies.

-----





3 - MC/nd

The concentrated milk industry appears to offer an area of investigation worthy of the attention of the Commission.

From the standpoint of producers (represented in Ontario by the Ontario Concentrated Milk Producers Marketing Board) the fundamental consideration is the low-level of return for their milk. The producer is convinced that the spread is sufficiently wide to justify a higher producer return, and possibly, in some instances, a lower consumer price. The producer price is now, and has consistently been below an established average cost in Ontario of producing milk for concentration purposes.

(a) Evaporated Whole Milk.

Milk for evaporation in Ontario is purchased at a negotiated or awarded price per 100 pounds of milk containing 3.5% butterfat, f.o.b. plant. Out of this price the producer pays farm to plant transporting costs which average around 23 cents per hundredweight.

Current retail prices for evaporated milk in one-pound tins range from 2 tins for 29¢ for chain stores' own brand, to 2 tins for 35¢, averaging about 16¢ per tin in Ontario. The cost of raw milk per 100 lbs at the plant is \$2.96. On the basis that 110 lbs. of milk are required to produce one case of 48 one-pound tins of evaporated milk, the calculations are as





Retail price per case (48 tins @ 16¢) - \$7.68

Cost of 110 lbs of raw milk at plant  
 $\frac{(110 \times 2.96)}{100}$  - \$3.26

Total farm retail spread per case - \$4.42

The wholesale price per case for  
several months past has been - \$6.30

(b) Evaporated Skimmed Milk (2% F.F.)

In considering this product, the attention of the Commission is directed to three particular facts: (1) the raw milk for this product is exactly the same, quality-wise, as that purchased for evaporated whole milk, (2) the price is established on exactly the same basis; and (3) this evaporated product has a low fat content. Approximately 125 pounds of raw milk are required to produce 48 tins of this evaporated 2% milk.

The average retail price for this commodity can be taken as slightly less than for evaporated whole milk - about  $15\frac{1}{2}$  ¢ per tin.

The calculations are as follows:

Retail price per case (48 x 15.5¢) - \$7.44

Cost of raw milk  $\frac{(125 \times \$2.96)}{100}$  - \$3.70

Total farm retail spread per case \$3.74

The wholesale price per case is around \$6.30

The significant feature about the production of evaporated skimmed milk is that, while 3.5% milk is purchased, much of this fat is







removed. The fat content in a case of 48 tins amounts to 15.36 oz. The fat content in 125 pounds of 3.5 milk is 69.9 oz. It would appear that there remains for disposition by the processor about 54.5 oz. of butter fat, which, at present market price of 64 cents per pound, would have a value of \$2.18. This amount, added to the farm-retail spread for the case goods of \$3.74, makes a total spread on 125 pounds of raw milk of around \$5.92.

Who benefits by this nugget of "found" butter fat, the consumer or the producer? Producers would like to know.

(c) Evaporated Partly Skimmed Milk (4% E.F.)

The story in the case of partly-skimmed evaporated milk is precisely the same as for the previous example except that the butterfat figures are slightly different. An unaccounted-for 39.2 oz. of butterfat represents an additional return of \$1.57. This added to the farm-retail margin of \$3.74 per case makes a total spread of \$5.33 for 125 pounds of raw milk.

The wholesale price per case of 48 tins is about \$6.30.

(d) Dry Whole Milk Powder.

The retail price of this product ranges from 79-85 ¢ per one-pound tin. At wholesale the





price per tin is 68 ¢, - in barrels the price is about 40 ¢ per pound. The present producer price for raw milk for whole milk powder is \$2.92 per hundredweight.

Since 100 pounds of raw milk converts into 12 pounds of powder the farm value of milk going into a tin of powder is 24.3 cents. Thus the farm-retail spread per tin ranges from 54.7 cents to 60.7 cents

(e) Dry Skim Milk Powder (Instant)

Here again butter enters into the calculation. The current producer price for raw milk going into Skim powder is \$2.80 per hundredweight. The retail price for spray process instant powder is about 41 cents per pound. One hundred pounds of raw milk converts into 7.8 pounds of powder and 4.2 pounds of butter.

Calculation of the spread is as follows:

7.8 lbs of powder @ 41 ¢	-	\$3.20
4.2 " butter @ 69 ¢	-	<u>\$2.90</u>
Retail value of product		\$6.10
Cost of raw milk.....		<u>\$2.80</u>
Farm-retail spread.....		\$3.30

The wholesale price is approximately 34.8 cents per one-pound box. The Commission will appreciate the difficulty faced by producers in attempting to secure accurate retail prices over a





number of years. Accordingly, only current figures are given. Conceivably the calculations made might benefit from more accurate observations, but not to the extent of substantially changing the results.

#### REDUCING MARKETING COSTS AND MARGINS

Producers generally believe that the recent increases in marketing margins have been due to profiteering. In the absence of comprehensive research into marketing margins, the OFA eagerly awaits the findings of this Commission on the question of whether current margins indicate exorbitant profit-taking. It should be stated, however, that, just as there are wide variations in efficiency in other phases of our economy, so also is it extremely likely that uniform efficiency will be lacking in most links of the marketing chain. Even the most efficient operators, if the incentives were great enough, probably could find means of cutting costs. Nevertheless, there is good reason for advancing the idea that reduction of profits is possible.

Profit-taking, quite naturally, is apt to be greatest where there is a large element of risk. This explains why the farm share of the consumer's dollar is often smaller for perishable commodities like fresh fruits and vegetables. To mention one example, growers of peaches for the





fresh market up to 1954 had complained for years about the large profit margins of middlemen handling their crop. Yet, from the dealers' standpoint the conditions in the industry were so chaotic that the risk could only be assumed if the profits were substantial. In 1954, the Ontario Fresh Peach Growers' Cooperative was born. Almost from its inception improvements were attempted and achieved. Quality began to improve, markets were widened, dealers' margins were stabilized (at their request!), farm returns improved. Within a couple of short years, the Cooperative felt ready to assume virtually all risks due to deterioration.

The error committed here was that the Cooperative still lacked the power to police the dealers. An outbreak of peach stem rot did not stop dealers from marketing peaches without regard for potential quality deterioration. The result was that the Cooperative had to take back large quantities of fruit and shoulder a heavy financial burden - a burden which quickly spelled ruin for the plan in its original form. Yet the principle was sound. If the Cooperative had been able to exercise more control over the crop, performing the dealer function to a greater extent, disaster might have been averted. Risk assumption of this kind over the long term might prove very







profitable as well as making possible  
quality control and greater market penetration.

The principle as applied to peaches would seem to have fairly wide adaptability to other perishables produced for the fresh market. Also, there exists the possibility of surplus 'elimination' for crops having extremely variable yields but where acreage remains relatively unchanged. Similarly, marketing arrangements which provide for price negotiation prior to harvest possess the advantage that the farm share of the consumer's dollar is at least maintained at fairly constant levels.

While on the subject of producer marketing plans, one other point should be made. The charge has been made that the marketing fees levied by producer boards somehow add to the price spread and, hence, increase the price at retail. The OFA would deny this charge very vigorously. The term 'price spread' is used normally in expressing the difference between prices for equivalent units of a commodity at the farm gate and at the retail store. Like cooperatives, producer marketing boards are extensions of the farm business - the farm gate becomes an agency desk. The agency is hired by the farmer and is paid like any other farm employee out of the farmer's own pocket. As has been mentioned prev-





iously in the case of the fresh peach cooperative, attempts to reduce dealers' margins seem to have been successful, thereby tending to reduce total margins.

As for the criticism that consumer prices are increased, a case could be made for the position that the long-run effect of producer boards has been to iron out price fluctuation. If, in addition, some success is achieved in improving quality and in reducing middlemen's margins by accepting risks, then the retail price position may well be improved in the consumer's favour.

Another means of reducing profits in marketing is through vertical integration of two or more steps in the marketing process. As mentioned previously, this has become a common practice in the marketing of eggs through the large retail food chains which combine, in some instances, the steps of transportation, candling and grading, packaging and retailing. If, however, this kind of program becomes too centralized it is possible that extra transportation and handling costs may lessen efficiency to some extent and tend to increase the selling prices at points distant from the central supply warehouse.

Recognizing that rigidities do creep into the procurement side of highly centralized operations, we suggest that chain stores review





their procurement policies and consider whether greater flexibility with regard to purchases of locally-produced farm commodities might not have the effect of decreasing total margins and work to the advantage of all concerned.

INCREASING EFFICIENCY IN MARKETING:

This is a topic which the more conservative-minded might prefer to leave to fate, believing that competition in some inexorable fashion will eventually work out the answers to everyone's satisfaction. We prefer to believe that modern research methods were designed to speed up this process and to keep segments of the marketing system from wandering into wasteful blind alleys. Research tools can be employed at every stage of marketing and production. We suggest that the final answers on sales route duplication, advertising costs, layout of physical facilities, location of premises, packaging and a host of other technical questions have yet to be found. Particularly, we need to know if fancy packaging sells more, or less total product.

Speaking of packaging reminds us that consumer education is an important enough matter to warrant much greater public attention. In the appendix to this brief will be found a pertinent article by Charles V. Neal, Jnr., a noted Family





Financial Counselor for a New York newspaper.

In it he speaks of how consumers confuse groceries with luxuries and then blame the farmer or the grocer. He points especially to the large proportion of non-food items which appear on the family grocery list. These items incidentally, still appear as groceries in figures compiled by the D.F.S. on food chain sales reports owing to the present difficulty of obtaining differentiated returns from the chains.

Owing to the increasing prominence of food chains in the food sales picture, we should like to express some views on this subject.

From time to time, the pessimists among us express deep concern about the manner in which the modern chain supermarket has gained an increasing share of the total retail food market. Some estimates place this share in the Toronto area at about 70 per cent. The exterior attractiveness of these outlets, the almost carnival atmosphere, the clean, orderly presentation of an unending variety of foods should bring customers and does. The producer and the processor could hardly wish for a better sales environment. Yet, there may be flaws. Is it possible that as competing giants strive for volume by means of mid-ways and expensive gifts that normal price competition will play a less important role or else be employed in







spectacular and ultimately price-destructive ways? A relatively small, short-season crop might be used as a loss leader by a single large chain forcing others to follow suit. If a producer marketing organization existed with strength enough to hold the producer price line, the outcome for the producer might not be serious -- might, in fact, lead to increased sales. With no strong producer boards, however, the results might be disastrous for all. Fluctuating prices might lead to consumer indecision and, over the long term, fewer sales.

In other words, the horizontal integration so typical of food chain growth which undoubtedly leads to more efficient overall operation may one day reduce the number of competing firms to a point where the search for greater efficiency within the operation may become much less of a crusade. As a means of off-setting this eventuality, we commend the federal government's proposal of making credit available to improve the efficiency of small businesses. As these smaller enterprises become more efficient it is almost certain that the total food marketing bill will decline. It is unnecessary to add that, for the same reasons, business improvement credit should be made to firms at all levels of marketing.

#### CONCLUSION:

In its submission, the Ontario Federation of Agriculture has honestly endeavoured to voice





the views of the farm people it represents. It is our sincere regret that more of the concrete kind of information requested by the Commission was unavailable. Although only two of the products (eggs and concentrated milk) for which producer boards or co-operatives have marketing responsibility have been mentioned in this brief, we expect that other member bodies of the OFA will be presenting submissions on other occasions. The briefs presented recently by Ontario farm co-operative groups have the complete endorsement of the Federation.

A word should be said, also, in commendation of the federal government's quick action in establishing the Price Spreads Commission. The government is to be congratulated on its choice of experienced, qualified Commissioners. We have high confidence that the findings arising out of your investigations will lift a veil from an area of public concern which has been too long in almost total darkness.

In summary, we believe that the following will suggest some of the several fields of investigation into which a study of price spreads can be divided:

1. Producer marketing costs;
2. Wholesaling, jobbing and brokerage costs;
3. Duplication of distribution services;





4. Price discovery at farm, wholesale and retail levels, especially the causes of violent seasonal fluctuations in farm prices of products such as eggs;
5. Hidden profits at manufacturing, wholesale and retail levels including the investigation of profiteering in government-released surpluses of products under price support and storage programmes.
6. Retailing cost and profit structures.

Respectfully submitted,

THE ONTARIO FEDERATION OF AGRICULTURISTS  
409, Huron Street,  
TORONTO

APPENDIX:

THE HIGH COST OF LIVING!

By Charles V. Deal, Jr.,

(Family Financial Counselor for a New York Newspaper)

The cost of eating is not the budget-wrecker some people claim. My grocer swears that people could cut their grocery bills by one-half without sacrificing taste, nutrition or satisfaction.

Before we go off on another witch hunt to see who is getting our food dollars, let's look at a few facts.

What passes as a food bill quite often contains all sorts of inedible odds and ends.

I just now checked our own week-end order (part of a week's purchase), which totalled \$19.70, delivered. Only \$14 went for food, the rest of the money was for cigarettes, shampoo, napkins,





toothpaste and paper towels.

Also, \$1.50 of the \$14 was spent on cat food. Our own food cost came to \$12.50.

I dug a little deeper into our eating mysteries' and discovered that we had purchased a frozen pie and a box of instant cake mix. The grocer confided that flour just doesn't sell any more.

He also reminded me that our order contained expensive, out-of-season items.

Our meat order was carefully wrapped in cellophane and neatly cut for eye-appeal.

We bought five pounds of potatoes in transparent wrappings. You can buy them for less than half the price in 100-pound sacks.

My conclusions came to this:

1. People confuse groceries with luxuries, and then blame the farmer or the grocer.
2. Our tastes are running more toward fancy wrappings and less toward nutrition.
3. We don't bake and use flour, so we pay a price.
4. We don't order in quantity.
5. We want our food frozen or otherwise processed and must pay for it.

My point is this: you are spending a great deal of money on things which are 'optional', and may be blaming the leak on necessities.

This 'optional' personal choice spending can







so many different places. You could use it to pay off debts, or you could save it.

The decision is entirely yours; I just wanted to prove that the grocery bill is elastic and that the farmer and grocer are not the real villains.

THE CHAIRMAN: Thank you very much, Mr. Jasper. We will have some questions to address to you and your colleagues. Dr. Drummond?

COMMISSIONER DRUMMOND: Mr. Chairman, I have followed the brief more or less as it was presented. There are two points I would especially like to concentrate on. First, on Page 2, the heading, No. 5. It appears to me that there might be a slight correction required. It says: "Annual consumer expenditures per capita on food in Canada has increased from \$3,619 million to \$4,810 million." The words "percapita" seem to be in error.

MR. JASPER: Mr. Chairman, may I refer that one to our economist, Mr. Felyea?

MR. FELYEA: You are quite right. "Per capita" should not be in there.

COMMISSIONER DRUMMOND: On Page 3 near the top you state that the cost of whetting the appetite of the consumer for foods of better quality has resulted in higher prices at retail. I wonder if we could have a little bit of clarification on that?





MR. BELYEA: This is a contention on the part of the Organization. It may be borne out by the fact that the index on food indicates that the consumers price index has risen about 18 per cent and that the marketing margins, the real costs of marketing, as demonstrated by this table, seem to have increased in terms of constant dollars more than they should have in ordinary circumstances. This table was produced by the actual marketing margins discovered by Perreault in his article in the Economic Analyst by the general wholesale price index.

There is an example there given by Hillhouse and Shroeder in their report on marketing margins. I am just trying to show that marketing margins have increased to a greater extent, more than the rise in the general wholesale price index would warrant.

It might be interesting for me to add as well that in studying the nine commodities that were studied by Hillhouse and Shroeder in their marketing margins report, the one that came out in about 1950 or 1951, from the period 1935 to 1939 the marketing margins remained relatively constant or actually declined in some instances. In the period 1949 to 1957 these marketing margins appeared to have risen substantially. All of these extra services, borne out by real changes in marketing margins, seem to have been made at





the consumer's expense and the farmer's expense.

I wonder if that is a satisfactory answer?

COMMISSIONER DRUMMOND: The thing that arose my curiosity were the three words "of better quality". You say "whetting the appetite of the consumer for things of better quality". I wonder if you thought they were whetting the consumers\* desires for something other than quality as well?

MR. FELYEA: I was thinking there when you said "better quality" you were thinking of the tendency for consumers to increase their consumption of the protective foods rather than cereal. Cereal has declined and meats and dairy products and vegetables all increased pretty substantially.

COMMISSIONER DRUMMOND: On the next page, Page 4, at the middle: "Increased retail prices do not stem necessarily from increased farm prices nor do the two necessarily bear any relation one to another." Does that suggest that the retail price and the farm price are, on the average, not necessarily related at all?

MR. FELYEA: Well, sir, we seem to be somewhat at a disadvantage here. We refer later on to a table, which will be presented by the Ontario Department of Agriculture, the Province of Ontario actually. Later on there will be a table filed by the Department of Agriculture. We seem to feel that in that table there is pretty clear





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

2518

evidence that retail prices certainly do not reflect consumer prices. I will put it the other way around -- does not seem to be a relationship which one would like to see.

MR. JASPER: In other words, if I may interrupt, I think we have seen farm prices go down and the price to the consumer go up.

-----







COMMISSIONER DRUMMOND: If I may turn to what appears to me to be a very fundamental point which you have made in the brief, you have stated at page 11 of the Volume,

"Producers generally believe that the  
"recent increases in marketing margins  
"have been due to profiteering".

In addition to this, you have indicated I think two or three points that if competition, as ordinarily understood, has not already disappeared, it is at least running the danger of virtually disappearing in the very near future.

It seems to me these two thoughts are related in your minds.

Now, first of all, I wonder if any of you would care to venture an opinion as to why you believe that the increase in marketing margins is due to profiteering. Have you any additional factors you would like to suggest apart from what has been stated in the brief?

MR. JASPER: I would like to ask Mr. Betzner to speak to that.

MR. BETZNER: This, of course, is a difficult one to prove, but I think that on page 11 where you refer to it, we are dealing pretty well with the milk products. I do not know whether fortunately or unfortunately with experience of being an arbitrator in one of these cases -- it





certainly is a fact that after two or three successive reductions in the price of milk to the concentrated milk producer, in none of the three reductions was there a reduction in the wholesale or retail price to the consumers. We asked is there any assurance this will mean a reduction to the consumers, and we were flatly told it would not. I think there is a very concise example.

The price of these commodities has stayed very stable through a great fluctuation since 1951 to the present time, and yet the retail price and the wholesale price have remained relatively stable with very, very little fluctuation.

COMMISSIONER DRUMMOND: Having arrived at a conclusion the price is not perhaps what it should be, or that there are possibilities of increasing it for reducing the profit margin, the brief at the end suggests possible ways whereby profit might be reduced and the spread narrowed thereby. Perhaps the most important suggestion made here is that there be more action of various types by at least some body, affecting this end.

Now, is it a fact in the case of the commodity you have just referred to, namely concentrated milk products, that the price situation you have just described is as it is despite the fact we already have a Board operating?

MR. JASPER: I would like Mr. Tilden,





President of Concentrated Milk Producers, if he would, to speak to that.

MR. TILDEN: In that connection we have a Board, Ontario Concentrated Milk Producers, which does negotiate for minimum price. We have representatives who meet with representatives of their people, and we try to iron out prices. If we cannot come to an agreement, we go to a form of arbitration.

During the last eighteen months we have been in eight or ten arbitrations. At the first, the price went up on a number of occasions. At that time there was a shortage of supply, and of course now the price in the last arbitrations has been reduced on several occasions.

I think the point Mr. Betzner brought out, the price of case goods is not consistent as our price, due to arbitrations, has been reduced.

MR. BELYEA: I think, Mr. Chairman, you were wondering why we say in one case producer boards may have the effect of reducing margins, but whether the fact is in a particular case they have not been so effective. I think the answer to that question, as far as producers are concerned, is that the agency type of marketing which takes a greater control over the product and follows it through to higher stages in the marketing process has that advantage over the purely negotiating type





of marketing board.

In the final analysis, the negotiating type plans have to rely on what the arbitrator awards, whereas the agency type of board is in a stronger position and can do ever so much more.

COMMISSIONER DRUMMOND: I wonder if Mr. Betzner, with his experience, would care to comment in regard to some of the special difficulties that the different negotiating boards actually encounter.

MR. BETZNER: That is certainly evident in the case of these boards of arbitration which are set up in the case of the concentrated milk where they appoint one, the processor appoints one, and the government appoints a chairman. This type of board has no authority for investigation into the profit margins or the operating costs of the processes whatsoever.

Now, if you go to the different type of board, such as the Milk Industry Board of the Province of Ontario, they do have powers to investigate, but in this type of arbitration, the arbitrator representing the producers have no means of availing themselves of the cost of operation or of distribution. You have to take only what is given to you by the arbitrator representing that side. You have no authority to investigate, and it does place you in a very inopportune position knowing the cost









on one side, and not knowing the cost on the other.

COMMISSIONER DRUMMOND: In view of your comment, Mr. Belyea, regarding the agency type and negotiating type of board, and again continuing our discussion, it would seem at the outset that something might be hoped for if the producer boards took on more of the marketing functions. Would anybody care to pass a view in respect to that?

MR. TILDEN: After having experience for quite a number of years, it is a matter of setting minimum prices. We begin to wonder if there is enough strength -- if we can be effective enough by simply setting the minimum prices. So many things enter it; the matter of stocks, for example. It is an extremely strong argument when you go to an Arbitration Board. Our stocks are higher today, yet the strange part of it is, despite the fact the argument always is from the processors' side, and we cannot see why if they want to get rid of stock that they do not do it and get the product moving. We do not think it is particularly healthy that that should be the argument.

MR. BETZNER: I think there are cases where the producers are suspicious of the handlers in cases where the legitimate cost may be greater than the producers realize.

I was amazed to hear that the tin which holds a tin of evaporated milk cost 115 per cent





of the cost of the product that goes into it. That is an amazing statement that the container of the products is 115 per cent of the cost of the product that it is holding, and if that is legitimate, the price will be certainly greater than the producers would anticipate. I am certainly not saying that is the case, but that is what is given to us.

COMMISSIONER DRUMMOND: You suggest that there is need for that type of information. Is there no co-operative milk processing plant in Ontario?

MR. JASPER: Yes. May I refer that to Mr. McCague?

MR. McCAGUE: In the co-operative movement that we discussed on Friday, we feel we should continue further and to various lines of processing. In the case of the sale of milk powder from retail stores in cans, we are not at this time engaged, and it is one of the missing links in the chain of our operation which we think is serious, and I am sure that the commodity groups feel we can help each other a great deal in arriving at where costs should be.

I do not know whether this is the place to bring up the point of the Soft Wheat Growers of Southern Ontario, where they have been negotiating for a price, and have asked United Co-operatives to act as their agents. They are looking after the operation, and





the other group in that instance is the price negotiator, which is a very useful set-up, and one that I think could be made much more useful in the case of dairy products and co-operative all working more closely, and probably completing our operation to a point where the producer does go directly to the retail store.

COMMISSIONER DRUMMOND: On page 7, again at the middle of the page, the second point made there seems to say that the "net effect of increased marketing margins has resulted in a reduction in the farm share of the consumer's dollar and relatively insignificant increases in the consumer's food price index". That seems to suggest first that there has been a relatively small increase in the retail price but that the reason has dropped in the farm prices.

MR. BELYEA: That is what this statement seems to point out.

COMMISSIONER DRUMMOND: On page 8 you speak about a desire for a large part of the eggs to be sold directly to the chain stores, and the price at which they are sold is related somewhat to the so-called Toronto wholesale price. Do you suggest that the Toronto wholesale price may or may not be a true supply and demand, because of the limited quantity that is handled at that point.

MR. JASPER: Mr. Chairman, I would ask





Mr. Betzner to speak on that.

MR. BETZNER: This refers again to something which will be brought to you I think quite forcibly when the Ontario Government presents their brief on the Department of Agriculture, where they have made a very thorough study into this subject.

The prices averaged in the Toronto market is primarily arrived at by receiving quotations from what is known as jobbers of eggs, and in the past those jobbers did handle eggs of some 500 egg grading stations throughout the province, and pretty well handled the bulk of the eggs that arrived at the market.





2527  
Monday, Sept. 15, 1958

But the past few years, the tendency has been for the large chains to set up their own egg-grading agencies and handling actually the volume -- the large volume of eggs, and these jobbers only get the eggs from the smaller and the diminishing egg-grading stations throughout the province. They don't handle the bulk of the eggs, but they are still used to arrive at the wholesale price in Toronto, so that a price may be established on a very minority market as it is at the present time.

As it originated, they did handle the eggs, but with the tendency of the large chains and even some smaller chains joining them together in one agency, the percentage of eggs going through these jobbers has become relatively small, so the price can be established on a very minority picture of the volume of eggs going through the market.

COMMISSIONER DRUMMOND: Would you say there is pretty much a parallel between this and the percentage of hogs going through the central market?

MR. LETZNER: I would say it was true before the Ontario Hog Grading Agency came into effect.

COMMISSIONER DRUMMOND: That's what I mean.

THE CHAIRMAN: Is there any discernible





change in the pattern of egg prices since this development? Having regard to the tendency to sell directly, looking at the prices and the variability of prices, can you detect any consequence of this change?

MR. BETZNER: It's a pretty hard question to answer because of the large movement of import eggs into the province. You are very well familiar that at times Ontario is producing, at times, forty per cent of the egg production of Canada. At certain periods of the year, a very large degree come from Western Canada. Also, the fact that during the past few years we have quite a holding of eggs from the government, which is a factor which is pretty difficult to ascertain -- what the local reaction as to the whole Canadian is.

But it does seem to producers that it is one spectacular in the whole food marketing program that in many years the price of the commodity exactly doubled, and that producers receive as low as 28¢ a dozen, and may receive as high as 60 ¢ a dozen. I don't think there is another commodity that any of the Commissioners could think of -- at least I can't -- that you get complete doubling of the price within a year. And that happens in eggs year after year after year. There are some years that it doesn't. About two years ago, the price remained pretty well in





2529

the forties throughout the year, but through a period of years, the price of eggs has the greatest fluctuation of any commodity that moves on the market.

That may not be as true in the retail end of it, because when the price is low, the margins seem to squeeze. But, when the price is high, then the margins seem to widen so that the reflection of the retail price may not look as great to the consumer. But, to the producer, there is a 100 per cent variation, in many years.

COMMISSIONER DRUMMOND: For the benefit of the Commission, I think perhaps it would be very helpful if we could get a little more detail in regard to the actual operations of the Peach Marketing Board thus far, and to make definitely - this is used as an illustration of the possibilities of the effects of a Marketing Board Operation, and I think it should be made altogether clear as to just what the benefits would be.

MR. PELYE: This, too, ladies and gentlemen, is an area where we have not very much information. One of the chief regrets that I have, personally, about the operations of these farm product marketing boards is that they have taken too little pains to keep day by day figures of their prices at either levels.





this is just a personal observation. So far as their ability to reduce margins, it is my understanding that under the present circumstances, where you have a much less powerful type of agency, where their only hope is to try and maintain some stability at the producer price level, and where the dealers are allowed to take over the complete handling of the product.

The dealers margins now are in the neighbourhood of sixteen to seventeen per cent, which, perhaps, is normal for an operation which involves a considerable amount of risk, but it appears that while the agency was in control of the dealers, the margins for the dealers was reduced to, I think, around six or seven per cent. At their request -- they wanted the same, at least, that is the margins to be set by the Marketing Board and it was unfortunate that this one experience -- ill-guided and ill-advised as it might have been -- try to assume the risk. But the producers represented here, I believe, in this type of operation, feel that it holds great prospects for the future. We feel that it can reduce margins, and I think there are some who look forward to the day when the actual negotiations -- the actual marketing operation -- may be nothing more than a negotiation between the agency and the ultimate retail distributor in a large scale







operation.

COMMISSIONER DRUMMOND: In this specific case, you would contend the risk is a very important factor and that the real possibility of reducing the margin would lie in the fact that the Board is in a better position to assume that risk than the so-called dealers?

MR. FELYEA: The Board has everything at stake. It has to develop the market, and it has to keep this market supplied, whereas the dealer -- so far as we can tell -- is concerned only with immediate profits. He has got the stuff to move, and moves it without regard to what effect it may have on the market, and we feel that the Board -- producer boards -- are in this sense more apt to be responsible and more concerned about profits than the dealer.

COMMISSIONER DRUMMOND: One other point or so. It would seem that the emphasis you are placing on possible advantages of marketing boards suggest that you can only gain those advantages if you adopt what you call the agency title to, or if that Board performs at least several, if not all, the marketing functions. Then, toward the end, you speak of the possible value of what we call vertical integration -- we would suggest vertical integration may very well help to lower the margin.

Now, these two things would seem to be closely





related.

MR. FELYEA: Yes. May I say, in this connection, that at the moment, where the ultimate effects of vertical integration from the top down -- if I may express it that way -- are so little understood by almost everyone -- and I am thinking of the social aspect, and what would be the results on the so-called family farm. Actually, no one knows, I feel, at this stage what the ultimate effects will be. But, certainly, they point to greater efficiency in the distribution of food.

Whether vertical integration should take place from the bottom up, as it were, or from the top down, is a subject for argument -- for very much debate -- and I am sure the producers, by and large, in this province at the moment, at any rate, do not look askance at this top-down type of integration. We feel that the idea of integrating from the bottom up seems to offer better prospects.

COMMISSIONER DRUMMOND: By that, you simply mean that the farmer himself, through his cooperative, should take the initiative in bringing about vertical integration?

MR. FELYEA: Yes.

COMMISSIONER DRUMMOND: I thought it was a very interesting suggestion. You speak of vertical integration there -- at the top of Page 14, where you say this program has become too





centralized and that increase in transportation and other handling costs thereby tend a widening spread, particularly at outlying points. And, following that, by suggestion, at least, a change might be considered. Am I following that correctly?

MR. FERGUSON: Well, Mr. Chairman, and ladies and gentlemen, in this connection, the point we are trying to make here is that according to a number of experiences of some of us and other producers and the pattern of purchasing supplies by the chains -- it's almost impossible for the local supplier of the commodity to sell to the chain in his area. Either the manager has to get clearance from the central area, or else the supplies are taken from the local perhaps to Toronto, or wherever the central is, and then transported back. And, we feel that since the local producer is very definitely a consumer and a patronizer of these stores, he should have an opportunity to sell -- providing, that is, that he can provide quality and the rest of it -- to the chains and we think this is maybe a step that needs some investigation.

MR. FETZNER: Mr. Chairman, in this regard, where I think very often the statement is used that Canada follows the United States in trends, and it was very amusing, and I think most of you read it in the Spring of this year where the





Kipling Research Institute of New York claimed that in ten years, the food outlets of the United States will be controlled by twelve outlets.

If that became true, you can certainly see where a producer organization is going to have some comparable organization to sell to them, or else they will be at the mercy of these, and I think that same trend is moving into Canada at a faster rate than most people realize.

COMMISSIONER DRUMMOND: Have you anything further to add as to how you can get genuinely effective travelling power to this development? Speaking of market boards, is that the last word? Is vertical integration the last word, or is there something else that has to be thought of, apart from either of those?

MR. JASPER: If I might answer that, we as the general farm organization, are very firmly convinced that it is a combination of all, not just our marketing boards -- not our cooperatives alone, but a combination of all.

MR. IETZNER: I think a word should be said here, Mr. Chairman, on vertical integration as it affects farmers, and as it is presented to them now. In the last few years, and to a large degree -- I'm not going to take any time on it other than to say that the need for vertical integration is brought about by the lack of adequate credit facilities to farmers and small







ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

2535

industries and small vendors of service -- the  
transporters or jobbers, or what have you --  
and in my experience, I find people who are  
interested in the vertical integration of  
feeding of livestock would not be interested if  
they had the credit available to do the job as  
they have had in the past.

-----





3  
Y/d  
15/2

COMMISSIONER KIDD: On the question of evaporated whole milk on page 9, you make a statement on the retail price and costs, and so on: I was wondering if you had anything to add on that, because looking at the table it seemed that the spread between what the original producer received and the wholesaler is \$3.04; this would include processing, and so on. Then you get from the wholesaling level to the retail level, and there is a spread of \$1.38. Have you any suggestions as to whether there is too much of a spread in there, or have you studied the cost of production and so on?

MR. BRETHER: Mr. Chairman, gentlemen, we do not have figures available to either indicate whether the spread is high or low. I believe Mr. Betzner told the Commission a few moments ago that we do not have the power to make that investigation. From our own standpoint it appears high, with what knowledge we do have. From that knowledge we conclude it is high, and I assume this Commission will investigate that angle fairly thoroughly.

Further in the case of evaporated milk, we realize that in the processing or the making of evaporated skimmed milk or evaporated partly skimmed milk, if that were an independent operation in the plant, it would certainly be more costly than





making evaporated milk because there are other processes involved, but we do not think they are involved to the extent that would, in our opinion, affect the free butterfat that accrues.

Incidentally, Dr. Drummond indicated a question a short time ago, and I think he asked had there been any fluctuations, particularly in wholesale prices of evaporated milk. I have the figures here for the years:

1948	\$ 6.50
1949	5.85
1950	5.85
1951	6.64
1952	6.52
1953	6.00
1954	6.00
1955	5.83
1956	5.78
1957	6.12
1958	6.30

I should say that is the average annual price of evaporated whole milk at Montreal. In so far as spray and powder is concerned, prior to March, 1957 there was very little change; it did not vary anymore than 4 or 5 cents, with the exception of one particularly low year when the average price went down to 9 5/8 for spray and 7 3/4 for rolling process powder. There has not been a great deal of variations since 1948: it began at 15 1/2 cents in 1948 -- spray processed powder -- and it ended in 1956 or in March, 1957 at about 13 1/4 cents.

COMMISSIONER KIDD: On page 7, at the bottom, you mention that there are a number





of studies that you require to determine your position. You say, "We need to know how prices are actually determined under the prevailing conditions of imperfect competition". There are a number of questions arise out of that sentence and, first of all, would you comment on how you think prices are set? Are they based on the farm level plus the add-ons to the retailer, or do you feel they are set up at the retail or possibly the wholesale level, and all the costs taken into consideration, and the farmer gets what is left over?

MR. JASPER: Mr. Chairman, our economist may want to enlarge on this, but that is, again, one field where it is almost impossible, unless you employ a firm, to get figures on it, and we believe that should be available.

MR. BELYEA: I think it is true to say that traditionally the farmer has taken what was left, and probably that situation has not changed very much, because our own marketing board plans have not proceeded to the extent that we might hope. I think in those cases where we have marketing boards, then it is not true today exactly that the farmer takes what is left, because he just has the marketing power. In this connection, as to how prices are actually determined, we were thinking of what practices were followed by







chain stores, for example, in setting the price for the commodity which they were selling. In the brief to the Gordon Commission several years ago, the point was made by the Meatpackers Council that chain stores were exerting a tremendous downward influence on price; that they were, in effect, in the driver's seat as far as price was concerned, and that the processors, the packers, inevitably had to take a smaller margin or else pass down the increased price to the producer. I am not sure that is true. I haven't seen any real evidence of it, but it may be true, nevertheless. I think probably the chain stores would deny it. However, there may be a considerable concentration of market power on the chain store end, and they are able to pass down this pressure below them with the end result that the farmer takes what is left.

There is also the aspect that there are certain psychological prices which appear to appeal to consumers more than what I might call actual prices as determined by supply and demand conditions. It may be that this is an area for study. I really don't know much about it, except I know consumers do buy certain commodity at prices -- well, they prefer to buy at a higher price than a lower price sometimes.

Then there is the perfectly competitive part -- manufacturers and retailers (particularly





5

manufacturers) have a certain monopoly of the particular brand they are selling, and do sometimes, I believe, adopt pricing techniques which are not always in the best interests of the producer or the consumer. There seems to be a tendency for manufacturers, processors to buy as cheaply as possible and to sell as dearly as possible. This was evidence given by the late Mr. McLean in a price spreads investigation some years ago. Actually, I think most of us would try to do the same thing. Perhaps one cannot be very critical of that point of view, except that maybe to sell as dearly as possible may not be in the best interests of the product being sold. He may be able to make more money out of selling slightly cheaper products -- getting rid of more of the product -- than actually pricing it as high as the market will bear. I think there is some theory involved here in respect of pricing under perfect competition that may have a bearing, but this is in the speculative field and it is pretty hard to judge without actual cases to work on.

I think there is need for investigators to look into the present methods employed by processors and retailers to see whether they are the best in the long run for the processors and retailers.

2

COMMISSIONER KIDD: You said one





or two interesting things there; particularly you said imperfect competition was in brands -- was that your definition of imperfect competition?

MR. BELYEA: That is one example that occurred to me of imperfect competition, because of the fact the manufacturer of that brand had a monopoly.

COMMISSIONER KIDD: But wouldn't there be competition, then, between one brand and another?

MR. BELYEA: Well, eventually, through advertising and so forth, the manufacturer of a particular brand, if he really works on it, may get his story across to the consumer that this brand is the only brand that is desirable from every point of view, and the other brands suffer even though they may be equal in every respect. So, in circumstances like that he would have a monopoly of that particular brand, but actually the field of imperfect competition is wider than that. I was thinking particularly of the situation where you have three or four large packers dominating the packing industry. There are probably only three or four chains of retail stores which may one day dominate the entire retailing industry. I understand that studies of the United States have indicated that there is a development of a smaller chain that is composed of maybe ten to fifty stores. There has been a rapid growth of this type of chain,





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

2542

but I believe, on the basis of conversations with people in the retailing business, that this is not necessarily true in Canada; that there is a development of more and more horizontal integration, more and more buying up of these small chains by the bigger chains, and the effect in the long run, I think, will be to place these food chains in a perfectly competitive situation.







F  
MC/d  
15/9

COMMISSIONER KIDD: You have said also the farmer's position was traditionally more of taking what is left over. Do you think that is so, let us say, going back beyond the ten-year period? We are interested in getting this point cleared up. Do you think that position of taking what is left over pertains to, say, 25 to 30 years ago?

MR. JASPER: There is one exception, with the exception of choosing their wives!

COMMISSIONER KIDD: Is this situation changing, or is it not? Is there a changing situation in the market? Did the producer originally accept the price and are they now being relegated into a different position?

MR. BETZNER: I think very definitely it is. If you go back into a rural community 25 to 50 years ago the farmer did have control and did have bargaining power. The farmer could take a commodity into a local store and barter and exchange. He could trade it for a sleigh or an animal. He could take his eggs into the local store. Now the ultimate place where he has to sell the individual farmer has no access. So it definitely has been a trend where the bartering position of the farmer has moved up.

COMMISSIONER KIDD: Where the farmer has not access you have to seek these other forms of





Marketing Boards.

At the top of the page you mention the approximate 2 per cent of disposable income spent on foods. This really raises the question of living standards in a rising economy; does it not? Is it not also true that ordinarily as a country goes up the scale of living standards there is less and less proportionately spent on food? This would not be an increase difference, let us say, than in the United States.

MR. BELYEA: That is correct, sir. We feel that this may be normal in a relatively industrialized economy. Really all we have said about it is that the consumer appears to be getting things a bit cheaper. Now from the philosophical standpoint the farmer is concerned about the share he gets of the consumer dollar and about his income. This business of the farm share appears to be, and I think studies have borne this out, that it is a function of value of the market. It is basic as it were.

Now, the farmer is concerned about increasing his income and increasing his farm share of the consumer's dollar. It appears to him that if the consumer has been induced to take more of his product at the same price, or preferably the same amount at a higher price, then his position -- particularly in the latter instance -- will be improved in respect to his share of the consumer's





dollar and his income. Philosophically he sees nothing wrong with a situation where the consumer pays a bit more for an equivalent amount since it is his pocket-book that is affected. That is the farmer's point of view. There is a lot of argument against this.

I think there has been for many centuries the thought, since we started to specialize and begin to develop an exchange type of economy, that the consumer -- by some heaven-sent route -- should be supplied the necessities of life relatively cheaply. This is an unsatisfactory answer to farmers. They feel that there has been too much emphasis on this business of getting food at a cheap price.

Now in the case of the year 1957, the National Account Publication indicate there was a personal saving, if I remember rightly, of something like \$1,610,000,000. It is not clear just what form the saving took but it is substantially more than was saved in other years. If the consumer had to pay the difference between 22.7 and 25 per cent -- as you say a difference of about 2 per cent -- more for his food in terms of total expenditures, and that came off of his savings, he would still have a lot of savings left. It would only mean perhaps 150 to 200 million to the consumer, which would be rather insignificant from a pocket-book standpoint, but if you gave it to the farmer's





pocketbook then it means much more.

These are things which may be unacceptable from the consumer's standpoint but from the farmer's standpoint they seem self-evident.

COMMISSIONER KIDD: You think that the consumer could pick up that 2 per cent, the consumer could pay 2 per cent more and there could be a squeeze-out of profit at the other end? Is that your main point?

MR. BELYEA: Yes.

COMMISSIONER WALTON: There is just one question. Quite a few of them have been answered. You have indicated the need for more consumer education. Do you believe that if the consumers did have more education, I don't know which type you would specify, it would lessen the price spread? Who should do it? What type should it be? Do you think it would help if we knew more? I presume you are pointing at packaging, types of advertising, free gimmicks. Do you feel if we were more aware of these things we might withdraw our patronage and narrow the price spread?

MR. JASPER: Mr. Chairman and Mrs. Walton, I think our thinking behind that was this. We, as primary producers, in the eyes of the average City housewife, get all the blame for the high cost of food. One of our main thoughts was we would like to be able to have an investigation into the







relative price spread on each commodity, it is information that we are not able to get at the present time. If the housewife had that information it might well leave all of us with a little better taste in our mouth.

COMMISSIONER WALTON: It is pointing out the last of statistical information.

MR. JASPER: Yes.

THE CHAIRMAN: Mr. Jasper, our thanks to you and the gentlemen who have come with you, not only for an interesting and helpful brief but also your courtesy in answering our questions. Thank you.

MR. JASPER: Sir, Mrs. Walton and other members of the Commission, may I thank you very much for your hearing which you gave us.

THE CHAIRMAN: We will adjourn for five minutes after which we will hear from Mr. Graham of the Ontario Fishery Board.

--- A short recess.





SUBMISSION OF  
ONTARIO FISHERMEN'S CO-OPERATIVE

Appearances:

Mr. T. E. W. Graham      Manager

---

THE CHAIRMAN:      Come to order, please.  
Will Mr. Graham come forward, please. We had an interesting presentation on Friday from the Co-operative Union of Ontario, but there was one conspicuous absence in their brief, and that had to do with fisheries. Fisheries are part of our terms of reference, and we are particularly grateful to you for coming in this morning to supplement with reference to fisheries what we heard from the Co-operative Union on Friday. I understand that you have a statement to make for us. If you would like to sit down and read it for us.

MR. GRAHAM:      Frankly, Mr. Chairman and Mrs. Walton and members of the Commission, I apologise that I do not have sufficient copies available to give you all a copy of this, but I will leave it with the secretary so that you can examine it later. Mr. Willoughby called me up and asked me if I could make it, and today happened to be the only day I could make it, and I hammered through until ten o'clock last night to get something prepared.





We, as commercial fishermen, are both producers of products for consumption, and consumers of products produced by others. As consumers, we are continually endeavouring to purchase the necessities of our industry at the lowest possible cost. By the pooling of our purchasing dollars we have been able to effectively reduce our cost of production through co-operation. Importing of goods from other countries has created stiff competition between suppliers of gear, as well as preventing anyone from securing a monopoly, whereby the fisherman would be charged what ever price the supplier felt like charging.

We have been in operation only 9 years, therefore are virtually youngsters in relation to many of the other types of co-operatives in our country. We have seen the assets of our co-operatives grow from nothing - to over a million dollars. Our production from less than \$500,000. to over \$3,000,000. We feel that co-operation has reduced the cost of production of our member fishermen more than 10 per cent per annum since our inception. A further advantage of co-operative methods of doing business is that any savings over the operational expenses are returned to the members in the form of patronage dividends, which also goes toward lowering the cost of production. As producers, we are of the opinion there is a greater problem in trying to





widen the spread between the cost of production and the remuneration received for it, than in narrowing the spread between the producer and consumer. Although we are trying "to do something about it", what we have accomplished, against what we are striving for is still widely separated. Of what we have been able to accomplish in the fishing industry, we are very proud, because it has been accomplished by the fishermen themselves; without assistance from Governments on subsidies for boats, processing plants, etc., nor have we any price supports for our production of fishery products. In these we are not as fortunate as our salt water counterparts, and although our fishery is vastly different in our methods and fishery products, we do have one thing in common - that is to secure the best possible prices for our production and to retain a reasonable portion to provide for the continuity of this important primary industry.

The Commission should be well aware of the per capita consumption of fresh water fish products in Canada. This problem is also of great concern to the Industry as a whole. Because of this lack of market in Canada for our fresh water fishery products, almost 90 per cent of our production finds their market in the United States of America, either in whole or round form - or processed as either fresh or frozen fillets. It was this fact that caused







us to question what benefit the consumer might derive from an investigation of price spread in our commercial fishing industry and whether this Commission could do much about the price which the American consumer paid for our product.

As producers, we strive to obtain the best possible price for our product, in return for giving the consumer the best possible quality. It could not be considered practical to indulge in giving the limited Canadian wholesaler a special price consideration in our sales, as it would force us to accept a lower price for our exported commodity as well, which is in accordance with the laws governing the exportation of goods to another country.

It causes us a great deal of concern when trade papers publish extracts from these hearings, which markets might use against us. Therefore we respectfully request that unless properly cleared any figures of costs be treated in the manner in which they are intended and not quoted out of context with the remainder of the facts.

In our industry, there are two distinctly different markets. One being the whole or fresh fish market, the other being the processed or frozen market. Our production differs with that of either coast for other than processing, which is not adaptable to all of our species, we are unable to can, salt or otherwise cure them for later sale.





There is a very limited market for smoked fish which is also restricted to specialty class of fish. Thus our fish must be sold daily. We must depend on the large wholesalers to spread the supply over the vast area or population - in other words be responsible for the distribution from the wholesale to retail level. 's our production varies from day to day there are often day to day variations in the price which the producers will receive for his product, as markets follow the pattern of supply and demand. Since the concern of this Commission is the cause of "spread" between the producers and the consumer, we mention this fact. To take a specific day and compare the retail price on a processed and frozen package which the consumer is asked to pay against the price the producer received for the whole or round fish does not give the true "spread". Quite possible to do so may make it appear exorbitant, whereas the packaged fish may have been processed at a different market level. There have been a great many changes in marketing of fresh water fish over the past 20 years, no doubt the next generation will see additional changes. Today the trend is away from fish that the house wife must clean and prepare for consumption, to the more convenient method of just opening a package which is ready for the pan. A step further is pre-cooked, so that all the work involved is to re-heat it. If this trend continues it may well be that the markets as





we know of them today will disappear.

If the consumer would buy whole or round fish, it could cost them basically less money. However, with our manner of living today, the problem is to dispose of the "extra" take home produce involved - the scales, head, bones, offal etc. Again there is the problem of the preparation of this for consumption. Because convenience is in reality services - normally performed by others - someone along the chain must pay for it - with the result that the consumer does.

As our plants deal solely in the processing of fish which are marketed in the form of fresh fillets or frozen packaged fillets, I will comment on them in their respective categories.

We can substantiate the spread between the producer and processor level of fresh water fish. Although we have no idea of the cost of processing Nova Scotia Haddock, the processing spread of which was commented on in a Trade journal, we will definitely state that unless a processor on our species receives at least the amount for which he paid the producer doubled, plus at least 10 cents he will find it difficult to exist.

There are periods when fresh water fish in round or whole form are not available, so that we must process during the productive period to provide stocks to carry over the no-productive period





to supply a continual source of fishery products to the consumer. This means that the processor must continually gamble stocks - against production - against demand - against trend.

Fillets sold in Fresh Form; - normally the basic price charged for fillets in fresh form is 10 cents over double the price paid for the fish in the round or whole form. This 10 cents is known as the cutting charge. In periods of extreme scarcity of production it is possible to make it 12 cents - on the other hand in times of extreme plenty it could be only 8 cents. So that throughout the year the processor tries to average 10 cents. Out of this 10 cents, in addition to the following costs per pound of fillets, the processor must absorb the loss on spoiled fish, shortages due to faulty weighing, pilferage, loss through boxes collapsing in transit as well as mutilation caused when a jam occurs in the scaling machines.

The cost per pound of fillets breaks down as follows:-

Trucking	-	1¢
Boxes	-	2¢
Filleters	-	3 $\frac{1}{4}$ ¢ (basic rate)
Manual labour	-	2¢ (to service the filleters)
Sundry & Overweight	-	<u>1¢</u>

For a total of 9.¢, leaving only 3/4¢ before







absorbing any of the first expenses or overhead. Therefore, it should be readily seen that it is a question of volume to have a successful processing operation.

Although many of these expenses are self-explanatory, it might be easier to understand if we explained "Overweight" - this is a customary allowance of at least 1 lb on every 60 lbs of fish because a fish loses weight once it dies. Even in packaged fish this overweight allowance must be taken into consideration. "Cost doubled" - under normal conditions, practically all species of Lake Erie Fish produce a fillet of flesh that is 50 per cent of the whole or round weight. However, there are times of year, for example around spawning time, that the yield may drop from 50 per cent to 45 per cent and on some species to a low of 42 per cent. So that after a fish is processed and the processor had only 42 per cent to 50 per cent of his original purchase left, that fillet of flesh is now worth twice as much as a round or whole fish.

Very little figuring is required to show that even at the original market price doubled plus 10 cents or 12 cents the processor cannot or has not, "spread" much over his definite committed costs. Actually conditions like this causes a processor to freeze the production and gamble on breaking even or making a small margin of profit in later sale. You





may well ask "Why do you bother buying fish when you have such difficulty in disposing of them at a profit" - to us the answer is simple. With such low consumption of fishery products, every market is valuable to us, thus when you have both regular outlets for your production, and regular producers from which you normally secure your needs, it is at times "profitable" to continue to supply at a loss in order to protect the markets you have built up as well as the supply factor on which you must also depend. We must also take into consideration the employment of the staff, because only by continuing to operate during periods when production does not justify such action can you retain the calibre of helpers, and the efficiency of production that constant operation produces, to be available when the situation is reversed.





Filletts Packaged and Frozen - in addition to the expenses involved in the production of fresh filletts, additional expenses are incurred as follows:- packers  $3/4\phi$  to  $1\ 1/4\phi$  -- labour in overwrapping and freezing  $1\ 1/4\phi$  -- cartons  $1\ 1/4\phi$  to  $2\ 1/4\phi$  -- cellophane  $1/2\phi$  -- overwrap  $1/2\phi$  -- and if exported to the U.S.A. there is an additional charge of  $1\ 1/2\phi$  for duty. Brokerage commissions are 5% of the sale price. Discount on US funds as prevailing at the time of settlement. Transportation to markets from  $1/2\phi$  to  $2\ 1/2\phi$  depending on the distance. Handling and cold storage costs from  $3/4\phi$  to 3 or  $4\phi$  depending on the length of time held awaiting sale. The average cost involved in handling frozen filletts from the time the fish is landed until the funds from the sale of the product returns to our hands range from  $19\phi$  to  $22\phi$  per pound. Thus if the producer received  $20\phi$  for the round fish, the cost of that same fish delivered in Toronto or Buffalo in packaged frozen form would be in the vicinity of  $59\phi$  per pound.

With respect to the mark up on frozen stocks, let me say that we are governed entirely by market conditions. If a commitment is made to deliver a certain quantity, on a certain date, at a fixed price, and you ran into a combination of low production and strong wholesale prices, you might be fortunate in breaking even. It is our understanding





that chain stores have a mark up scale from 20% to 30% depending on circumstances. Just what mark up is made by wholesalers we have no means of ascertaining. However, due to the intense competition, we would assume that their price would have to be well within reason.

The processing plants, which are members of our Ontario Fishermen's Co-Operative, and which are owned by actively operating commercial fishermen, endeavour to bring some degree of stability to the fresh market. By utilizing production of our own boats we can prevent prices at which it is not possible for the producer to operate economically, and this stability of daily market tends to level off high peaks in fairness to the consumer. These plants stem from the practical needs of the fishermen, not from a desire to find a profitable investment. By controlling their own destiny to some extent by such utilization of their production by processing, they can and do receive better prices for their fish production. As in all other co-operative enterprises in our fishing industry, any savings above the operational expenses for the year are returned to them in the form of patronage dividends.

We can appreciate the fact the problems of spread in prices between the producer and the consumer are manifold. We can also appreciate, to







some extent, the consumer's desire to secure his needs at cheaper prices. We can also appreciate that all of the "spread" cannot be the responsibility of the retailer. Until we return to a system whereby the producer deals directly with the end user of his commodity, we must face the fact that spreads must exist. It is our experience that the consumer creates much of these spreads by demanding a wider variety to choose from -- more convenience in the preparation of his foodstuffs -- preferring to secure all their needs at one store, which alone causes a multiplicity of brand names -- purchasing on eye appeal, the contents of the package being of a secondary nature and which also causes more colourful and expensive wrappings which in reality are consigned to the garbage once the product is consumed in the home therefore a "useless" expense. As long as they demand these services and conveniences, they must also accept the fact that those who provide them must make a reasonable margin of profit to survive.

To suggest that the co-operatives sell directly to the consumer, thereby eliminating the middle-man, is not the immediate answer, but which might be developed in the future.

The problem of fish marketing has been on the agenda of every meeting of the Co-Operative Fisheries Congress, without finding a concrete





solution to it. We cannot do without the large wholesale fish markets, which are capable of, and do handle, large volumes of fishery products, because we have neither the personnel available nor have we the necessary "know-how".

In our existence we endeavoured to bring to the consumers our products, without going through the wholesalers' hands. This proved to be financially impractical, because we were unable to provide the equipment necessary to service sufficient areas to provide adequate markets for our production. Neither was the consumer prepared to purchase in any quantity more than a pound or two. Rarely do people purchase a box of fish.

Co-operation has done much in the commercial fishing industry to improve the lot of the fishermen. If people would wholeheartedly support the principles of co-operation, as well as the movement as a whole, the problem of price spreads might not be eliminated, but the savings would go a long way in stretching the consumer's dollar.

MR. GRAHAM: Thank you, gentlemen.

THE CHAIRMAN: Thank you, Mr. Graham.

I wonder if you could give us a brief description of the organization -- of your Co-Operative. The facilities you have, and the extent to which it contributes to the marketing of fish?

MR. GRAHAM: Well, you mean since our





inception?

THE CHAIRMAN: Yes.

MR. GRAHAM: In 1949, the fishing industry, as we know it, was dominated either by large wholesalers who had packing facilities in that port, or people who owned and controlled the boats in production. And the people that worked for them, simply got whatever the price the wholesaler or gentleman who was packing it desired to give him. It got so bad in our industry that they often went so far as to set up the companies in other countries and actually sold it to themselves at a fictitious market price paid for the purchaser at that price, and pocketed the difference.

So that the need of finding, or securing, a better price for our fish was necessary, and we started off in 1949 by marketing the production of individuals scattered all along the Lake Erie. That wasn't easy, because the wholesale market ganged up on us. But, by our methods of preparing our fish for sale as a quality-controlled pack, they began to accept it, and it became relatively easy. We were a centralized market. We marketed to Ontario all the fish that were produced by our member boats.

Then, the problem -- local problems -- entered into it. That is the problems which relate to one area. They are not all the same as what relate to other areas. So that we incorporated





local Co-operatives to handle the problems peculiar to that area, and to pack the fish of the producers in that area.

In other words, we put packing plants with cold storage at each port where we had sufficient fishermen to warrant it. We still continue to market as a central marketing area, but one of the problems we ran into was the dislocation of effort because the producer, or the manager, of the local Co-op would have to phone central and say, "We had sixty boxes of fish today," and then we would have to find out from the market what the price was going to be. Then we would have to phone back, and they would invoice us and we would invoice them, and there was a duplication of effort, which was too costly.

We decentralized our marketing, so now it is carried on by the local Co-ops. And, actually, we are doing as effective a job as it was when it was centralized. Primarily because this was done by the central body -- as a matter of fact, the standards of pack which we started, many of them are incorporated in the federal Department of Fisheries Whitefish Act -- inspection of whitefish -- and they are also coming into effect on the hard fish that is now going to be under inspection.

We find that having the producer, if at all possible -- to have a producer responsible for







the marketing of fish is also a benefit, because, he has something at stake. He has a production of his boat at stake, and we find that he can secure a better price for our fishermen. After all, he might not feel very good this morning and say, "To heck with it," and let his fish go with the easiest method of disposing of it. We don't appreciate that, as a producer.

COMMISSIONER MacKICHAN: How many separate plants have you?

MR. GRAHAM: We have twelve incorporated plants.

COMMISSIONER MacKICHAN: And where are these located?

MR. GRAHAM: Port Maitland, Manticoke, Port Rowan, Port Burwell, Erieau, Port Dover, Kingsville, Tobermory, Britt, Kilarney, Grand Bend and Bayfield.

COMMISSIONER MacKICHAN: Well, my knowledge of Ontario geography is ---

MR. GRAHAM: It follows through Lake Erie and through Georgian Bay. We haven't been able to do anything effectively in the areas of Lake Ontario or up in the Lake Superior areas yet, because the unfortunate part is that -- you know our Co-operatives -- once you do become effective you tend to raise the level of the areas, and the need for incorporation those groups is not as serious as it was prior.





COMMISSIONER MacKICHAN: Yes. How many would be in Lake Erie, for instance? How many of your plants?

MR. GRAHAM: Seven. Eight -- I'm sorry, eight.

COMMISSIONER MacKICHAN: Eight?

MR. GRAHAM: Yes.

COMMISSIONER MacKICHAN: The particular reference you made is understood by this Commission.

You understand that there are a certain number of farm products and a certain number of fish. We couldn't take the whole field, so the fish is the one we are particularly interested in. What portion of your business is in the whitefish?

MR. GRAHAM: At the moment, it would be very, very little because whitefish is a species where you might have one species which will drop off and then come back up. At the moment, there is virtually no whitefish in the normal productive area of Georgian Bay or Lake Huron, and Lake Erie is limited because of invasion of smelt, actually.





COMMISSIONER MacKICHAN: What is the normal yield? You mentioned different figures, but on white fish particularly?

MR. GRAHAM: I don't have the statistics, sir, on white fish.

COMMISSIONER MacKICHAN: You were very particularly interested in - and I am sure the consumer will be too - your method of reducing the spread and getting more income for the fisherman: You think you will reduce the cost of your operation?

MR. GRAHAM: Yes.

COMMISSIONER MacKICHAN: Reduce the cost of your supplies, and I take it that is done by your fishermen being able to purchase on the wholesale or jobber level rather than at retail?

MR. GRAHAM: That is correct. We use, possibly, a different type of gear than is used and with which you are familiar, but in 1949 our netting was roughly \$50.00 a pound for gill nets, and the same type of netting today is \$5.95, which is a substantial reduction.

COMMISSIONER MacKICHAN: The fisherman on the east coast argues for nylon netting now.

MR. GRAHAM: Yes.

COMMISSIONER MacKICHAN: We were interested in your comment on the understanding of both press and public as to the difference between the products





that is taken in by the processor and what turns out from his plant, and we would appreciate very much your brief because it has gone into a number of those things pretty carefully and all my colleagues and the secretary would be pleased to have copies of the brief you have prepared.

You mentioned in labour costs, and I am not sure I picked up correctly whether that was on an hourly basis or on a piece work basis: Were your filleters on hourly wages?

MR. GRAHAM: No, the filleting operation must be done by hand and is on a piece work basis, and all others are on a time basis - putting them into packages and scaling and that sort of operation is all on an hourly basis.

COMMISSIONER MacKICHAN: I take it the filleter is the key man on the assembly line?

MR. GRAHAM: Yes, because again it is your percentage of recovery, and a good filleter can give you a good percentage of recovery and a poor one can knock your percentage way down. That is why I say we must keep the continuity of staff in order to keep that skill readily available.

COMMISSIONER MacKICHAN: You mentioned levelling off production?

MR. GRAHAM: Well, as you probably know markets tend to vary: For example, it is the Jewish New Year tomorrow, and prior to a holiday







of such type your market is exceedingly strong to the point we have seen white fish in such instances as high as \$1.00 a pound wholesale, but the minute the holiday is over - for example, tomorrow - the white fish market will go down to approximately 35 or 40 cents, and our hope is, rather than have this continual up and down, that a more level price throughout the year would be beneficial both to the market and to us as producers, because if we could say, "We are going to average 30 cents a pound on white fish", we would go out and be able to gamble a little more on our fishery, but you don't gamble when you are producing white fish to sell at \$1.00 a pound one day and the next day at 30 cents. The average is not worthwhile.

The same thing with processing: If it were more stable, it would eliminate a lot of the gamble and a lot of spread. Another thing is, by processing by ourselves, on the cost of production you can't produce perch or blue pickle at 45 cents a pound, and by processing when they are low you keep the market average down, and as far as the producer is concerned, stabilize the price.

COMMISSIONER MacKICHAN: I have some figures which indicate the price of white fish was higher in Lake Erie than in any of the other lakes and there has been an increase in price, fluctuating somewhat, since 1935: What comment would you





have on that?

MR. GRAHAM: The white fish of Lake Erie are a much whiter white fish. If you were to go up into the northern areas, the white fish, in colouration, that is, are actually black; the colouration, due to water conditions, etc. Because they are so white, the Lake Erie fish demand premium prices. You can get anywhere from 5 to 10 cents a pound more for Lake Erie whites than you can for Georgian Bay or far northern areas.

COMMISSIONER MacKICHAN: Just one final question: You mentioned decentralized selling and your local plants doing the selling: That intrigues me, personally. How can you prevent competition between your several plants.

MR. GRAHAM: Well, that actually was a serious consideration, but we found that these same men that are now doing it were in this thing since its inception, and the battles they went through, and all their knowledge of what could happen if they allowed fights to develop, sort of kept them held together, and they work very good together.

THE CHAIRMAN: I think, Mr. Graham, that we can have copies of your presentation which we would like very much to have and have a chance to study it, and perhaps that is all the questions we can ask today, and, again, our thanks for coming along.





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

2569

MR. GRAHAM: Thank you very much, Mr.  
Chairman, for the opportunity of making this  
presentation.

--- Adjourned at 12.40 p.m. until 2 p.m.





MC/ J  
15/

--- On resuming at 2 o'clock p.m.

SUBMISSION OF  
THE GOVERNMENT OF ONTARIO

appearances:

Hon. L. M. Frost	- Prime Minister
Hon. W. A. Goodfellow	- Minister of Agriculture
Dr. Clifford Graham	- Dep. Minister of Agriculture
Mr. George Gathercole	- Dep. Minister of Economics
Dr. H. L. Patterson	)
Mr. G. F. Perkin	)
Mr. W. P. Watson	) Dept. of Agriculture
Mr. E. M. Biggs	)
Mr. Earl Haslett	)
Mr. W. G. R. Cameron	)
Mr. D. R. Richmond	)
Mr. T. M. Eberlee	) Dept. of Economics
Mr. J. J. Opmeer	)
Mr. J. D. Hoffman	)

---

THE CHAIRMAN: I will ask you to come to order. We are to receive this afternoon the brief of the Government of Ontario. Premier, we were very pleased when we learned that your Government wished to present the brief to the Commission and we are grateful to you for being here this afternoon. We have had copies of the submission and we thank you and your staff on the fine brief that has been prepared.

We would be glad if you would organize the presentation of this in any way you wish. Let







us know what you would like to do.

THE HONOURABLE MR. FROST: Mr. Chairman, Ladies and Gentlemen. I may say that it is a very great pleasure to be here and in presenting this brief to you to say that we are most desirous of being helpful to you. Now, I am not unmindful of this that you ladies and gentlemen in accepting this Commissionship, or membership on this Commission, are facing a task of very great magnitude. As a matter of fact there are those who might consider such a task as being almost impossible. Personally I don't regard things such as this as being impossible. I think the fact they are difficult is not any reason that we should retreat from them.

I express my admiration for you ladies and gentlemen in accepting an onerous job such as this. We wish you every success. I further more come here to offer you every assistance we can.

Now, we are submitting to you a brief which I will not go into myself. I might even admit some of my inadequacies to go into this but I will give you perhaps a little outline of some of the things that appeal to me, just in a very general way, and then I am going to leave it to the gentlemen who are here with me to elaborate on points that appeal to them.

Now, I have with me today, Mr. Chairman and gentlemen, the Honourable Mr. Goodfellow, the Minister of Agriculture. With him is his Deputy, Doctor





Clifford Graham, Deputy Minister of Agriculture. We have Mr. George Gathercole, Deputy Minister of Economics. Then we have quite a formidable panel here. I don't know whether you could call these fellows formidable. There is Doctor Patterson, from the Department of Agriculture, Mr. Perkin, of our Marketing Division, Mr. Watson and Mr. Biggs. I don't know whether Mr. Biggs or Mr. Watson are here at the moment, but they will be. Then we have Mr. Haslett. From the Department of Economics we have Mr. Cameron, Mr. Richmond, Mr. Eberlee, Mr. Opmeer, and Mr. Hoffman, all of whom have written parts of the brief.

The Deputy Minister of Economics, Doctor Graham, will present the brief to you, but I want to make this offer to the Commission, knowing the difficulties of our job and knowing the difficulties of yours. I make available to you the viewpoint of all these gentlemen.

Now in no way do I tie them down or restrict them to a certain viewpoint because the Government thinks so. I am perfectly prepared that they should come here and give their viewpoint with this understanding that their viewpoint might not necessarily be a question of settled policy. I think you gentlemen will appreciate that.

I may say this, that my experience over





the years is this: The solution of difficult problems very seldom comes from one man or even a number of men. It usually comes from the viewpoint of a number of people that are sparked together by someone who has the opportunity of studying those conditions. Now, it is on that point we give you our blessing. We sincerely hope you will be able to take the viewpoint of so many people and spark them together into solutions and policies which will be workable. For that reason we in no way restrict the viewpoints of these gentlemen. They are perfectly free to express their own viewpoint to you.

Now the brief is a summary of the problem as we see it. The brief is a summary of many things that we have done to attempt to meet that problem but I, by no means, come to you and say that anything we have done is the last word. As a matter of fact we grope around for solutions and that is the situation or the manner in which we come before you at this time.

Now, may I say on just one or two items this Commission, as I understand it, is dealing with the problem of the primary producer, and more notably the farmer and the fisher, both of whom we have here in our Province. As a matter of fact the fishing industry has, I think, been pretty largely under the Federal authorities and, on the other hand,





agriculture has been very definitely divided over the years between the Federal and Provincial authorities.

Now, I would say to you this on that problem: On that division, of course, have arisen many difficulties and many difficulties which are not solved today. In a general way may I say that the whole problem of price spreads, with which you are concerned in this Commission and with which we are concerned as a Government, is of course a subject of understandable complexity. It sounds very easy - - I was going to say to the person on the street, "Why should such and such be" - - but I think you only have to know our brief here. Page 28 of the little chart shows some of the complexities of the marketing process. You will glance at that and see what unlimited complexities there are.

Now, of course, that problem is further made difficult by the uncertain areas of Provincial and Federal jurisdiction. I perhaps could best illustrate that by the problems that have confronted us in connection with farm marketing, which are described to quite a great length in this brief.

Now the basis of farm marketing was simply this: To give the farmer something to say about the prices he gets for his goods. Now, as a matter of fact, the farmers are a very large generally unorganized body. Now, we have over the years deliberately set out to help them in that regard to







strengthen farm organization. Doctor Graham can tell you about what has been done in the development of farm organization in which very great strides have been made in recent years. Further more, we have set out to deliberately, in the face of many difficulties, assist the farmers to build up farm marketing organization. That is a very difficult thing to do. I say it is difficult from the standpoint that in farm marketing there has to be a good deal of regimentation, if I can put it that way, which a very large number of farmers resent. The farmers are very free and independent people. On the other hand such regimentation as is done in farm marketing is done with the endeavour to make it democratic, to make it so you can carry these things by a preponderant majority of the producers and having done that the farmers generally are satisfied with the result of farm marketing.

Now, in some cases, I think we have achieved very outstanding success. Out of the troubles of the tobacco industry last January, I think you gentlemen would agree, you were through it with me, we have gone into the field of processors. In other words we drew together the two opposite points of view. I think there is a very great degree of satisfaction in that. I think that is true of other commodity groups. I am hopeful the hog business will work out. I know it is full of difficulties - -





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

2576

dynamite if you want to put it that way. Nevertheless the principal is right. The hog producers should stand together. We encourage them to do that and we encourage them to market their goods in an orderly way and get good prices.





Now, that, Mr. Chairman, is the general objective. As to our method of doing it I would say that much of it has been trial and error. We have endeavoured to bring things along, always taking the principle, and recognizing that the principle is right, to endeavour to find better ways of doing it.

I would say to you this, that to bring up this point has been again a matter of unbelievable complexity, which is the same as the problem you are dealing with. You are probably aware, and no doubt, of course, you are aware, that in 1935 the then Federal Government passed certain legislation, and among the legislation I think was the Natural Products Marketing Act. I may be wrong in the name of that Act, but I think that was so. That immediately caused a difference between the federal and provincial governments, but the results are linked with the Privy Council, and were declared, either in whole or in part, and I believe in whole, ultra vires to the federal government.

Now, for twenty years following that, the whole matter stood in a complete position of uncertainty. Farm organizations too. I think the Federation of Agriculture is the authority for this statement, that no one knew how to draft marketing legislation because of the differences and difficulties there were in the interpretation and meaning of the Constitution and the law. Well, as a result





of that we determined that at the first opportunity we would submit our legislation to the courts. I can assure you it was with a considerable degree of difficulty that we got the matter there. It was done arising out of the Federal-Provincial Conference of 1955, and there there were differences among the provinces and the federal government as to what should be done. I know some of these gentlemen sitting here with me were there at that time. In any event, we arrived at a deal or an arrangement by which Ontario submitted all of its farm legislation or the Farm Products Marketing Act -- we submitted that and the Regulations to the Supreme Court of Canada, the final body at the present time.

The result was that in the main, I think, we received a very favourable decision, a decision that some people did not think was possible. On the other hand, there is still ambiguity. There are still uncertainties. You run afoul of the old problem of indirect taxation, as you know, and laws that are made in support of those plans, but nevertheless the farming community made substantial progress and gains in that decision.

Now, as a result of that certainly, plans we have at the present time which are controversial, such as hog marketing plans and other things, that has actual foundation from that decision.

I would say to you, Mr. Chairman and







gentlemen, what we are doing, what we are attempting to do is subject to your review. We are very glad to give you particulars of it. We have some thirty-three different commodity plans, some of them working very well and some of them subject to controversy -- and from the producing members themselves.

I may say in glancing over this brief, in which I may say I gave our people here a free hand in preparing, in glancing over it there are some things -- or one other thing -- that I might mention. That is the matter of price supports or subsidies. I do not think we have dealt with that matter, but I may say this, in years gone by we did support certain commodities by way of subsidies and bonuses, noticeably in cheese and hogs at one time, and grain.

As a matter of fact we came to the conclusion that I have stressed, that that is no place for bonuses. We have no control over trade and commerce -- that is a federal matter -- and we are faced with conditions along our long borders that obtain in other provinces, and not only that, but grain people operate in other provinces. When you get into subsidies you are on pretty difficult ground.

I will say this: in the days of the Second World War, and following, we did have bonuses of various kinds, but we have abandoned those for this reason. We felt it was far better for a

1894/1895

1. 1. 1894/1895  
2. 2. 1894/1895  
3. 3. 1894/1895  
4. 4. 1894/1895  
5. 5. 1894/1895  
6. 6. 1894/1895  
7. 7. 1894/1895  
8. 8. 1894/1895  
9. 9. 1894/1895  
10. 10. 1894/1895  
11. 11. 1894/1895  
12. 12. 1894/1895  
13. 13. 1894/1895  
14. 14. 1894/1895  
15. 15. 1894/1895  
16. 16. 1894/1895  
17. 17. 1894/1895  
18. 18. 1894/1895  
19. 19. 1894/1895  
20. 20. 1894/1895  
21. 21. 1894/1895  
22. 22. 1894/1895  
23. 23. 1894/1895  
24. 24. 1894/1895  
25. 25. 1894/1895  
26. 26. 1894/1895  
27. 27. 1894/1895  
28. 28. 1894/1895  
29. 29. 1894/1895  
30. 30. 1894/1895  
31. 31. 1894/1895  
32. 32. 1894/1895  
33. 33. 1894/1895  
34. 34. 1894/1895  
35. 35. 1894/1895  
36. 36. 1894/1895  
37. 37. 1894/1895  
38. 38. 1894/1895  
39. 39. 1894/1895  
40. 40. 1894/1895  
41. 41. 1894/1895  
42. 42. 1894/1895  
43. 43. 1894/1895  
44. 44. 1894/1895  
45. 45. 1894/1895  
46. 46. 1894/1895  
47. 47. 1894/1895  
48. 48. 1894/1895  
49. 49. 1894/1895  
50. 50. 1894/1895  
51. 51. 1894/1895  
52. 52. 1894/1895  
53. 53. 1894/1895  
54. 54. 1894/1895  
55. 55. 1894/1895  
56. 56. 1894/1895  
57. 57. 1894/1895  
58. 58. 1894/1895  
59. 59. 1894/1895  
60. 60. 1894/1895  
61. 61. 1894/1895  
62. 62. 1894/1895  
63. 63. 1894/1895  
64. 64. 1894/1895  
65. 65. 1894/1895  
66. 66. 1894/1895  
67. 67. 1894/1895  
68. 68. 1894/1895  
69. 69. 1894/1895  
70. 70. 1894/1895  
71. 71. 1894/1895  
72. 72. 1894/1895  
73. 73. 1894/1895  
74. 74. 1894/1895  
75. 75. 1894/1895  
76. 76. 1894/1895  
77. 77. 1894/1895  
78. 78. 1894/1895  
79. 79. 1894/1895  
80. 80. 1894/1895  
81. 81. 1894/1895  
82. 82. 1894/1895  
83. 83. 1894/1895  
84. 84. 1894/1895  
85. 85. 1894/1895  
86. 86. 1894/1895  
87. 87. 1894/1895  
88. 88. 1894/1895  
89. 89. 1894/1895  
90. 90. 1894/1895  
91. 91. 1894/1895  
92. 92. 1894/1895  
93. 93. 1894/1895  
94. 94. 1894/1895  
95. 95. 1894/1895  
96. 96. 1894/1895  
97. 97. 1894/1895  
98. 98. 1894/1895  
99. 99. 1894/1895  
100. 100. 1894/1895



province which is limited in its taxes -- we are, as you know, limited to direct taxation, and then the federal fellows have infringed a good deal on the area which is supposed to be ours. That is something we have got to settle later on, but still I am hopeful. But we are restricted to direct taxation. We have no control over banking -- that is purely a federal matter -- banking and general monetary policy -- with the result that it would seem to us, and I think experience has borne this out, it is far better for the province to put their money or put its money into things that provide for permanent benefit.

We have done that as you will see in the brief here. Take, for instance, in rural hydro electricity. We have invested in that as an outright grant and subsidy around about \$100 million. We have for instance the food market -- is that what they call it? -- the terminal out here, that I do not think is going to cost the taxpayer anything. I hope not. Nevertheless, it was not possible without us. We did the job. We developed the farmers' market out there, and I do not know but what that has an interesting possibility.

I do not know whether you gentlemen propose to say anything about that or not, but of course as you know, the development of farmers' markets give other facets of things that service and help the





agricultural community. Do not think that the little corner groceryman, and so on, the general store, has not served or helped the public in the farming community over many years, and I think it is still capable of doing it.

Then, we have the matter of cold storage. We did that in the cheese business, and I think that they were assisted very materially in the marketing of their products. On the other hand we have supplied benefits to provide the agricultural community with good roads, and we invested immense sums of money in the subsidization of rural roads and municipal roads, which of course makes the markets more available to the producer. Furthermore, there is the matter of education, in which we have made in the last few years immense strides in giving equality of opportunity. . . . I think it is now possible for the farming community to enjoy the same standards of living as the urban community pretty generally. My wife and myself have lived a good part of the year in the country, and I know what a great difference there is over a few years ago when we carried all of the water, and there were no conveniences in the house and all that sort of thing. We have reached the stage now where we are just about as dependent on power and things that come from that as the city people. As a matter of fact, that was





demonstrated recently when a sudden thunder storm blew down the power line.

However, I would say, Mr. Chairman and gentlemen, that is where we have felt, as a province, we should put our money. As I say, not to attempt supports, which are really beyond the capacity of the province from the financial standpoint, and when you get down to the elements of it, are not sound from an economical standpoint. Remember our boundaries. We have no way in the province of stopping infiltration of goods into our province, nor do we have any control of our exports out. It seems to me we should invest our money as we are doing in things that provide for permanent value.

I have not touched the fishing industry. Fishing is a matter which has been regarded in this province very largely perhaps as a matter of fact. Our help, of course, has been in the lines of conservation and protection. The marketing end of it has been pretty well left to the other level of government and the fishermen themselves.

Now, Mr. Chairman, as I say I have a brief here. I am going to ask Mr. Gathercole and Dr. Patterson to give this, and I have not dealt specifically with any parts of it. I felt tempted to read the conclusion, or read the last two and a half pages, but I will forego that. That, I think, Mr. Chairman and gentlemen, is all I have to say.







THE CHAIRMAN: We are very indebted to you for your statement. We particularly appreciate your words on the complexity of the problem with which the Commission has to deal. We have prepared this graph that is hanging on the wall as a general representation of the problem with which we are concerned. It shows by means of indexes the changes in the prices of the farm markets and consumers' markets for food products, and we feel that this divergence of the two occurred since 1951, and is essentially the problem with which we are concerned.

You have referred to a variety of views, and I can assure you, having travelled from Vancouver to St. John's, Newfoundland, that diverse views are not confined to the Province of Ontario. There are other 'versities as well.





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

2584

We are particularly interested, I think, here, to hear something about the operation of your marketing boards. You have here more experienced in this region than is available elsewhere, and we would appreciate your comments on that. We have felt that some of the matters which have been placed before us by farm groups are not strictly, in our terms of reference, which refers specifically to this price spread, but in our view organized marketing clearly can affect the spread, and therefore we want to learn about it. The same would also be true of support prices, but only in so far as they may affect the spread. We realize this is a matter for another jurisdiction, but we are grateful to you for this statement, and we will be delighted to hear from you.

THE HONOURABLE MR. FROST: In connection with farm marketing, all of our people here are experienced - - Mr. Goodfellow, Doctor Graham and Mr. Perkins. I imagine there are few people with the same experience that Mr. Perkins has in that regard. Some of the rest of us have helped to provide atmospheres for agreement, and these people have operated in that atmosphere. That is what we have endeavoured to do. That was very noticeable in the difficulties we had with tobacco marketing last year - - last January.

I am glad to say that things seem to be





pretty well composed, but I think that what was done there by getting the various elements working together, we were able, I think, in a period of a couple of months, to achieve what most people thought was impossible.

These people marketed the whole thing well within the time limit, and I would say this: That what made it possible was the fact that we got the various groups working together. Sometimes that is very difficult to do - - something like labour relations, Mr. Kidd, when you run into that sort of thing.

However, sir, I will leave it perhaps to Mr. Gathercole, to deal with this.

THE CHAIRMAN: Thank you, Mr. Frost.

MR. GATHERCOLE: Mr. Chairman, and members of the Royal Commission, it is a pleasure, indeed, for me to come before this group, and I have to confess that the Prime Minister and the Minister of Agriculture - - all more conversant with this problem than I am - - since specialization has come into the field of agriculture, and processing and marketing,

thought perhaps we could have some specialization in this. I will attempt, by outlining the submission - - reading parts of it, and perhaps paraphrasing the odd other part - - and, following that, if there are any questions through the course of it, Doctor Graham with his colleagues, and with the assistance of perhaps some of our economists





could take over, and answer any of your questions, either during the course of the reading of this, or following that.

THE CHAIRMAN: We will be happy to have you proceed as you have described.

MR. GATHERCOLE: Thank you, Mr. Chairman.

I will commence with the first chapter which deals with the structure of Ontario Agriculture and emphasizes, too, the ~~changing~~ complexion of this industry.

#### THE AGRICULTURAL INDUSTRY IN ONTARIO:

Introduction - Agriculture has always been Ontario's most important primary industry. The Province provides it with an ideal setting; climate is favourable; soil is fertile and markets are large and accessible.

In 1956, the Province had a farm population of 683,148 -- 26 per cent of the total farm population of Canada -- and it received a total cash income of \$791 million, which was 31 per cent of the total Canadian farm cash income.

With 20,000,000 acres out of a total Canadian arable acreage of 174,000,000, Ontario produced at least one-third of the hogs raised in the country, 40 per cent of the poultry and eggs, most of the corn, soy beans and tobacco, two-thirds of the cheese and very high proportions of all major farm products except cereal grains.





TABLE ICash Income from the Sale of Farm Products, Ontario, 1957

(\$ millions)

Cattle and Calves	175
Dairy Products	160
Hogs	115
Poultry	74
Tobacco	70
Eggs	65
Vegetables	34
All Other Crops, Fruits and Vegetables.	81
All Other Livestock and Live- stock Products.	9
Forest and Maple	8
	<hr/>
Total	<u><u>791</u></u>

In the last 50 years, farm population has declined in relation to the total population of the Province. And in the past 25 years farm population has dropped absolutely -- from 800,960 in 1931 to 683,148 in 1956.

In spite of this decline in the number engaged in agriculture, together with a decrease in the number of acres under cultivation (23 million acres in 1931; 20 million acres in 1956), farm production has shown a remarkable increase. The volume of physical production was 31.3 per cent higher in 1957 than in 1935-39. The increase in production per farm worker has far exceeded the increase in production by the agricultural industry as a whole.



ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO



The Transition to Commercial and Specialized Farming - Over a century ago, Ontario's farms were self-sufficient family enterprises. How they are, in the main, highly specialized businesses, using the latest technological and scientific methods.

Gradually, over these 100 years, the Ontario agricultural industry has adapted itself to the developing money economy of the Province and the nation. Increasingly, agricultural production has been intended for sale, rather than for personal consumption on the farm.

While the output of some products has expanded greatly, statistics show that the production of all but seven of the eighteen major Ontario field crops has declined since 1926. Four of the seven, which have increased, have climbed very markedly. They are grown almost entirely for sale. Production of one of these - tobacco - has increased eightfold since 1926. But the net result of these shifts has been that total farm production in terms of constant dollars has increased.



TABLE II

Index of Actual Production of Field Crops and Livestock on Ontario Farms (Production in 1926 = 100)

	<u>1926</u>	<u>1936</u>	<u>1946</u>	<u>1956</u>
Winter Wheat	100	59.6	69.0	95.5
Spring Wheat	100	80.1	36.0	16.5
Oats	100	69.8	68.9	67.7
Barley	100	97.0	68.8	25.7
Rye	100	59.6	89.9	124.3
Buckwheat	100	79.6	49.4	23.9
Flax	100	44.7	235.5	298.7
Mixed Grains	100	97.4	139.2	155.0
Corn (for husking)	100	88.3	155.9	401.3
Corn (for fodder)	100	70.7	75.7	75.9
Dry Peas	100	43.4	33.9	6.8
Dry Beans	100	90.7	162.3	136.9
Potatoes	100	93.8	89.5	66.7
Field Roots	100	98.6	48.0	18.5
Hay	100	86.8	84.6	90.5
Sugar Beets (1)	-	105.4	70.1	43.8
Soy Beans (2)	-	-	100.0	491.5
Tobacco	100	183.8	645.5	794.4
Horses	100	89.4	70.6	22.2
Poultry	100	129.8	160.4	150.2
Swine	100	81.2	89.3	89.2
Sheep	100	92.4	71.0	44.5
Cattle	100	89.7	94.8	105.1

1) Information prior to 1930 not available on Sugar Beets.

2) Information prior to 1940 not available on Soy Beans.

Source: Agricultural Statistics for Ontario.

Developments in agriculture have been influenced by the industrial growth of the Province and the trend to urbanization. Greatly expanded urban markets have given rise to the possibility of extensive commercial farming. Tremendous increases in output per man in agriculture, plus the demand for workers in urban industries have made possible a large-scale drift of people from agriculture which



ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO



has been a factor in the rapid industrial expansion of Ontario.

Technological changes and economic factors have been at the root of the general transition from self-sufficient agriculture to specialized, commercial farming.

Ninety per cent of the Province's farms are now served by Ontario Hydro. Rural electrification has permitted the widespread use of newer mechanical devices and appliances on the farm. These, with the increasingly efficient machinery available to the farmer, have enabled him to meet the economic pressures arising out of the rapidly climbing cost of farm labour and the declining farm labour force.

TABLE III

Yearly Average Consumption of Hydro-Electric Power per Farm Ontario,  
Census Years 1941-1956

<u>Year</u>	<u>Yearly Average Consumption Per Farm</u> (KWH)
1941	601
1951	2,740
1956	4,598

Source: Economic Survey of Ontario, 1956, Ontario Department of Economics.

The extent of the trend to mechanization is best illustrated by the figures of the actual number of machines on farms in Ontario. While these figures are not complete for each category in every census year, the magnitude of the change is very discernible.





TABLE IV

Number and Type of Machinery on Ontario Farms  
Census Years 1931-1956

Type of Machinery	Number of machines by Year			
	1931	1941	1951	1956
Automobiles	125,716	128,774	114,870	117,321
Motor Trucks	14,586	17,537	41,486	58,041
Tractors	18,993	35,460	105,204	136,062
Gas Engines	45,380	32,801	20,243	24,289
Electric Motors	9,604	40,137	84,679	-
Threshing Machines	8,490	9,094	15,946	-
Grain Binders	124,561	-	85,135	-
Combines	-	796	10,031	16,644
Milking Machines	4,105	-	38,740	-

Source: Census of Canada, 1951, 1956.

Other factors such as a preference for machines, a desire to eliminate various non-monetary problems connected with hired labour have reinforced the economic motivations leading to the acceptance of machines and the mechanization of farming operations. The very existence of a particular machine invites the farmer to begin using it.

In the past few decades and particularly in periods of full employment, higher industrial wages have drawn many of the farm labourers into the factories of the towns and cities of Ontario. To compete in the labour market, farm operators have been forced to increase wages. Farm wages in 1957 were four-and-one-half times as high as in 1940.





TABLE V

Average Wages of Male Farm Help in Ontario

<u>Year</u>	<u>Per Month with Board</u>	<u>Year</u>	<u>Per Month with Board</u>
1940	\$22	1948	\$69
1941	28	1949	71
1942	38	1950	66
1943	46	1951	77
1944	51	1952	87
1945	54	1953	83
1946	57	1954	84
1947	64	1955	84
		1956	86
		1957	98

While the total number of farms and the area under cultivation in Ontario have declined over the past 30 years, the average farm has enlarged. This has been possible because of developing mechanization. The trend toward larger farms has resulted also, in part, from the attempt to secure a proper technical fit between implements and land. This trend has not been universal. In 1951 less than 16 per cent of the farms in Ontario accounted for nearly half the farm acreage. The remaining 84 per cent of the farmers were operating on substantially smaller farms.



TABLE VI

Number, Area and Average Area of Farms in Ontario  
Census Years 1871-1956

<u>Year</u>	<u>No. of Farms</u>	<u>Area of Farms</u> (acres)	<u>Average</u> <u>Area of Farms</u> (acres)
1871	172,258	16,161,676	93.8
1881	206,989	19,259,909	93.0
1891	216,195	21,091,698	73.8
1901	204,054	21,349,524	104.6
1911	212,108	22,171,785	104.5
1921	198,053	22,628,901	114.3
1931	192,174	22,840,898	118.9
1941	178,204	22,387,981	125.6
1951	149,920	20,880,054	139.2
1956	140,602	19,879,646	141.4

The extension of electrification and mechanization has been accompanied by growing specialization. Mixed farming has, in the past, been the main method of farm production. Because of the economies involved in the use of machines and electrical devices, specialization in the production of particular crops and livestock has become increasingly important in the past few years. In addition, specialization has allowed the farmer to take advantage of scientific improvements in agriculture and to obtain the maximum degree of efficiency that comes from newer machines. Production per man and per acre have shown marked advances as a result of specialization.

Problems Raised by the Transition - The movement toward specialization and commercialization has created problems in the inter-related realms of financing, production and marketing,





This trend has increased the vulnerability of Ontario's farmers to drastic price changes. In contrast to self-sufficient farmers, and in some degree to mixed farmers, commercial farmers have high cash expenses, with few opportunities for cost cutbacks in periods of unfavourable prices. With growing specialization, farmers lose flexibility in crop production; they are less able to switch from one product to another to meet changing conditions without major reorganization. (See Appendix 2, Tables I and II).

Large-scale and specialized production also calls for the use of efficient farm management techniques and cost control. Improved credit facilities are necessary to finance the larger and more expensive operations demanded by commercialization and specialization. Without access to considerable credit, a young man cannot establish a specialized farm of sufficient size to afford him a satisfactory income. Nor can an operating farmer successfully change his production methods.

The problem of financing has contributed to considerable vertical integration or contract farming, particularly in the fields of livestock and poultry feeding.

The concentration of large numbers of livestock and poultry and the almost continuous cropping of land with the same crop have introduced new







problems of disease and disease control.

In marketing, new problems have been created in cold storage, ware-housing, grading, transportation, packaging. The growth of large, off-farm marketing organizations has raised problems of bargaining and has led to conflicting views on the size of and justification for marketing margins.

The largest single problem faced by the farmer is the decline of his net income from farming operations since 1951-52. While farm cash income in aggregate has tended toward stability since 1951-52, there has been a steady increase in costs, with small yearly variations, since the end of the war.

Ontario Government Action in Meeting the Problems of Transition - The Provincial Government through the Department of Agriculture offers a variegated program of assistance and support to agriculture. The Ontario Agricultural College and the Ontario Veterinary College, as well as other agricultural schools, are maintained by the Government, at a total cost of \$10.7 million in the current fiscal year. The Department of Agriculture supports a number of research institutions (These institutions are discussed in greater detail in Chapter III) where technical and disease problems associated with large-scale and specialized production are under constant investigation.





The Government is sponsoring various management studies, including the analysis of the accounts of many farm operators, aimed at assisting Ontario farmers to achieve more effective use of their farm resources. More than 150 professional extension workers are employed by the Government to aid individual farmers in solving their various problems.

Rural electrification has been pressed forward vigorously by the Government, which has paid up to 50 per cent of the cost of building lines and installing electrical equipment in rural areas. Since 1944, the Government has contributed \$93 million in subsidies to extend the benefits of electric power to the farmers of the province.

To help young farmers purchase and operate economic-sized farms, the Government set up the Junior Farmer Establishment Loan Board. Since its inception in 1952, this agency has loaned almost \$20 million. The OAC has held numerous schools for bankers to familiarize them with farm credit requirements.

In 1957 the cost of direct assistance to farmers from the various branches of the Department of Agriculture totalled over \$1 million. Almost \$400,000 was granted in 1957 for the construction of community centres alone.

The Government helps the farmer in the realm of marketing by backing the construction of food





terminals, cold storage, warehousing and other physical facilities associated with the marketing process. It provides grading and inspection services for many farm products, assuring equity to all parties involved in the marketing process -- from farmer to consumer.

Enabling legislation has allowed the establishment of marketing boards responsible for the sale of some 30 farm products. The boards have introduced a greater degree of order and stability into the marketing of these products, and have given farmers greater control over the prices of their products. While complications and problems arise from time to time, every effort is made to solve them. Doubts about the legality of the province's marketing policy were resolved in January, 1957, by a decision of the Supreme Court of Canada.

Numerous research studies, whose results will mean further advances in the field of marketing, are going on under the sponsorship of the Government. (A more detailed survey of the activities of the Ontario Government can be found in the next chapter.)

#### Agriculture in Northern Ontario:

Northern Ontario is best known as an area of vast forests and rich mineral reserves. But agriculture has always played a significant part in





its economy and promises to be even more important in the future. The development of forest-based and mineral industries and the resulting population increase are enlarging local demand for agricultural products.

The following tables set out the principal field crops grown in 1957 in Northern Ontario and the number of acres devoted to their cultivation. The number and value of livestock and poultry have also been listed.

TABLE VII

Acreage and Farm Value of Selected Field Crops in  
Northern Ontario, 1957

<u>Field Crops</u>	<u>Acres</u>	<u>1957</u> <u>Farm Value</u> <u>(\$'000)</u>
Hay	365,000	8,835
Oats	133,000	4,197
Mixed Grains	23,000	894
Potatoes	6,500	1,473
All other field Crops*	<u>14,500</u>	<u>567</u>
Total	<u>542,000</u>	<u>15,966</u>

\* Excludes Sugar beets, tobacco and seeded pasture.

Source: Agricultural Statistics for Ontario,  
1957, pp. 58-74.







TABLE VIII

Number and Value of Livestock and Poultry in Northern Ontario, 1957

	1957	
	<u>Number</u>	<u>Value</u>
Cattle	158,840	15,794
Horses	9,100	1,129
Swine	26,600	819
Sheep and Lambs	41,000	706
Poultry	844,660	<u>984</u>
Total		<u>19,432</u>

(Figures as of June 1, 1957)

Source: Agricultural Statistics for Ontario, 1957, pp. 97-98.

The Northern Ontario farmer has to cope with a number of problems peculiar to his region. The climate in which he operates is more rigorous and the growing season is shorter. If he seeks to open up new farm land, he must usually embark upon the difficult task of clearing trees and stumps. Many years may go by before such land is suitable for the production of crops. His markets are generally widely scattered and his transportation costs tend to be higher than in Southern Ontario. To help the farmer overcome these handicaps, various forms of assistance by the Provincial Government are available to bona fide farm operators.

Provincial aid in the clearing and breaking of land: The Government pays to bona fide farmers 50 per cent of the cost of clearing and breaking





land up to a maximum of \$25 per acre, on condition that the money so granted is used effectively for the purpose intended.

Provincial assistance in securing water supplies: Bona fide farmers are eligible for a subsidy equal to 50 per cent of the cost of drilling, casing (or cribbing), trenching and piping wells, or of digging, trenching and piping other sources of water. Maximum subsidy is \$300.00 while no subsidy will be granted where the total cost is \$200.00 or less.

Provincial assistance in connection with the purchase of weed control equipment: An amount equal to 50 per cent of the cost of the equipment and 50 per cent of the freight charges to destination (total grant not to exceed \$350.00 and provided a grant has not been received on the equipment from another Department of the Ontario Government) is offered on sprayers purchased by cooperative organizations, incorporated under Part XII of the Companies Act, a municipality, or an improved District.

Provincial aid for the production and marketing of potatoes: To encourage improved practices in potato production and marketing of potatoes in Northern Ontario, the Ontario Department of Agriculture offers the following assistance:





-- fifty per cent of the freight charges to destination on potato grading machinery and equipment purchased by cooperative organizations. (The maximum grant is not to exceed \$350.00.)

-- fifty per cent of the freight charges to any point in Ontario of certain grades of seed potatoes.

Freight assistance in connection with the transportation of breeding cattle: Generally, in order to be eligible for aid in the transportation of breeding cattle, the farmer has to purchase his stock in "Old Ontario". The amount of the grant is laid down in a schedule and varies between \$8.00 per head for points in Muskoka District (which for this purpose is considered to be part of Northern Ontario) and \$28.00 per head for points in Kenora District.

Assistance on transportation of approved limestone: The Ontario Government, the Federal Government and the railway companies cooperate in enabling the farmers to have ground limestone -- used to correct soil acidity -- transported at a reduced freight rate. The railways have established a rate which is approximately 25 per cent below the standard tariff for limestone. The Governments of Canada and Ontario provide a subsidy amounting to 75 per cent of the reduced rate. The assistance on truck shipments amounts to 5 cents per ton per mile from the approved source to the farm up to a





maximum of \$2.00.

Other forms of assistance: Apart from the foregoing specific forms of Government assistance, the farmers in the north as well as their colleagues in the southern regions have the expert assistance of the members of the extension branch of the Ontario Department of Agriculture. The Province's demonstration farms at New Liskeard and the Strathclair Farm at Sault Ste. Marie experiment constantly to find solutions for agricultural problems in the north, from which the farmers can benefit. An important factor, which has offered a considerable contribution to agricultural development in Ontario's north, is the programme of rural electrification implemented by the Ontario Hydro-Electric Commission. In the period 1951 to 1957 the number of miles of primary lines constructed by the Commission in northern rural areas was almost doubled from 2,995 to 5,873, whereas the number of rural customers more than doubled from 22,095 to 51,457.

## CHAPTER II

### The Development of Orderly Marketing Programs for Primary Food Products

#### Marketing Cooperatives

Marketing cooperatives have been established for various reasons: to provide a service not previously available or satisfactory to producers or to maximize net returns.







In Ontario there are marketing cooperatives in most areas of farm marketing, especially butter, cheese, concentrated milk, poultry and cash grain. None of the Province's marketing cooperatives has, of course, approached the spectacular growth of the Western Wheat Pools. In general, cooperative marketing activity in Ontario has developed for those products which are widely consumed but on which marketing margins are relatively the smallest.

Cooperatives have made a considerable contribution socially as well as economically to Ontario agriculture. They have been training grounds for leaders of other farm organizations, particularly marketing boards.

So far, their greatest contribution has been in purchasing farm supplies, rather than in cooperative marketing. But this latter phase is receiving increased attention.

#### Farm Marketing Boards

The Ontario farm marketing program is unusual in that any producer group has a choice of two forms of organization in developing a marketing plan. It can set itself up as a marketing agency or single sales agency corporation, or it can follow collective bargaining procedures.

Marketing Agency Group: Under the marketing agency system, prices and conditions of





sale are set from day to day by producer-controlled corporations which have been designated as sole selling agencies for the farmer. Control, if not title, of the regulated product is transferred from the producer to the sales agency which has full trading powers over the marketing of the regulated product.

While it has been employed in Western Canada for some time, agency marketing has a limited history in Ontario. Two products -- hogs and peaches -- are now marketed in Ontario under this system whereby the marketing agency controls the time and place at which the product is sold.

The agency marketing system in Ontario has from time to time given rise to problems. Inasmuch as it requires the farmer to place his product at the disposal of the organization which determines when and where the product is to be sold, an effective agency marketing arrangement necessitates a large degree of unanimity on the part of the farmers, who are individualists by nature. However, efforts are constantly being made to reconcile points of view, to solve problems and to build confidence. As was recently demonstrated in the province-wide vote on hog marketing, a large majority of Ontario farmers is devoted to some program of organized marketing of their products.

Collective Bargaining Group" Under the





collective bargaining sales system, the regulated product is owned by the farmer and is marketed by him where he chooses, subject to the agreement or minimum price and conditions of sale negotiated for him by his marketing board. There are now in Ontario 16 collective bargaining marketing plans, through which regular negotiations are conducted on 28 crops, having an annual farm value in excess of \$250 million.

Tobacco, 20 fruit and vegetable processing crops, sugar beets, seed corn, soybeans, cream, cheese, whole milk, condensed and powdered milk are marketed in this fashion.

The effectiveness of collective bargaining has been thoroughly demonstrated in other places. It introduces into the price structure a stability never previously enjoyed by farmers. Even before many canning crops are planted in the spring, their producers know the prices which the processors will pay for them on delivery in the fall.

One of the noteworthy results of the collective bargaining system is the discovery that the orderliness which it introduces into marketing confers benefits not only upon the producer but upon the other parties to the marketing process, including the consumer. Within this area of mutual agreement and identity of interest between producer and buyer lie opportunities for increasing returns to producers with no equivalent increase in cost to the consumer.





Marketing boards have been able to secure for their members improved contracts and terms of trade. They have eliminated previous arrangements in which processing company lawyers, naturally biased in favour of their employers, drew up the production and delivery contracts.

The boards, with the active aid of the Department of Agriculture, have promoted greater standardization of contracts, of methods, of products, of packaging and selling techniques and so on. This tends to reduce producers' costs.

Marketing boards probably have some specific effects on internal farm business. A negotiated minimum price has stabilized price so that many producers can more effectively plan production -- what to produce, as well as how much. In addition, these plans may have speeded up the process of specialization, giving a fuller opportunity to use and benefit from modern farm management principles.

The existence of these boards means that the farm business operator in Ontario has the means to deal with crucial problems that arise and are beyond his individual control.

#### Marketing Information

While Ontario farmers, like their counterparts in other industries, base their production plans largely upon price regulations and expectations







of profit, they, in common with agriculturalists everywhere, frequently encounter problems of over-production, and consequently of price instability. Ontario farmers are not significantly dependent upon external markets, where adjustments are most severe, but they still must make judgments aimed at balancing supply and demand.

Satisfactory judgments can be made only on the basis of the marketing information available to farmers. It is reasonable to suppose that where individual farmers are better informed on the forces operating behind current market prices they can act to minimize production fluctuations and can therefore assure themselves higher levels of farm income.

The Ontario Department of Agriculture is giving leadership in the provision of marketing information. It may be of a general nature, dealing with economic conditions and population developments, or of a specific nature, relating to particular products in a particular market.

Reference data of a general nature would appear to be sufficiently available to anyone who wishes to make use of them. In recent years, attention has primarily been given to the provision of specific information and it is being compiled by government agencies, farmers' organizations and marketing boards and agencies. This has not only helped to stabilize farm prices, but also to reduce





the variations between incomes of individual farmers, all of whom have access to the same information.

Recognition of the paramount importance of a balanced supply and demand situation has led the Ontario Department of Agriculture, through its Farm Economics Branch, to compile information on prices, production and movement of products within the Province's markets. Findings are made available to farm organizations, marketing boards, farm operators, and, at times, to the general public. Relative prices are an important guide to farmers in selecting those products which are most urgently needed by the economy. In order to prevent losses in income due to maladjustment, the Farm Economics Branch has made comparisons of the relative returns that can be expected from different crops. These marketing studies have been concerned mostly with dairy products, fruits and vegetables.

On the Federal level, the Department of Agriculture publishes similar information on farm products, including those which move from one province to the other. In cooperation with the Marketing Service Division of the Federal Department of Agriculture and provincial authorities, the Dominion Bureau of Statistics publishes various statistics relating to agriculture.

The marketing boards also play a part in helping to solve the problems of adjustment in





agriculture. Through these boards, farmers have access to expert opinions which were not previously available to the average farmer.

The fact that group efforts are being made to provide detailed information and outlook services for farmers does not mean, of course, that the problems of agricultural adjustments and cyclical variations in farm incomes have been solved. It does mean, however, that to an increasing extent the farm operators in Ontario have the means to deal with these problems, which are beyond their power as individuals.

#### Grading and Inspection

During the past ten years, increasing attention has been given by the industry to the proper grading, packaging and marketing of fruit and vegetables in Ontario.

Regulations, under The Farm Products Grades and Sales Act, specify the requirements for produce sold within the province. These regulations are based on the demands of the growers and the trade to ensure that produce is presented to the consumer in the most acceptable manner and can thus compete favourably with canned or frozen products and other food products, thereby securing a reasonable share of the consumer food dollar.

Fruits and vegetables have been given an increasing amount of preparation or treatment through







the years in an effort to reduce perishability. Ontario has taken the lead in establishing standard weights for consumer packages and has done much to aid in proper pricing and elimination of misrepresentation.

The extra steps being taken have added to the cost and constitute an important factor when considering costs of marketing and price spread between the producer and consumer.

In addition to providing regulations covering the grading, packing and marking of produce it is, of course, necessary to provide adequate inspection to ensure that the regulations are uniformly adhered to throughout Ontario. Application of the requirements aids proper pricing and orderly marketing.

Inspection services are administered, under the authority of The Farm Products Grades and Sales Act by the Markets Branch, Ontario Department of Agriculture, with the assistance in some areas of the Dominion Fruit and Vegetable Division, whose inspectors are given the necessary authority under the Ontario Act. Dominion inspectors are mainly concerned with produce moving interprovincially or for export. Retail inspection of farm products, is carried out in the cities of Toronto, Hamilton, London, Ottawa and St. Catharines. This service is being expanded.







The Provincial service operates three closed inspection areas in the main production districts of Essex County, the Niagara Peninsula and Holland Marsh, all of which are controlled by highway inspection stations on the main arteries. In addition a highway station is operated at Gravenhurst to check all fruit and vegetables moving by truck into Northern Ontario.

Provincial inspectors are also located in the other production areas and at wholesale and terminal markets.

A good deal of request certificate inspection is carried out by Dominion and Provincial inspectors, covering truckloads or carloads of produce moving within or outside of the province.





The Ontario Food Terminal - The provision of adequate food storage and distribution facilities, particularly where there are heavy concentrations of population, obviously has a significant effect on the price spreads of food products.

The construction of the Ontario Food Terminal in Metropolitan Toronto, which was built with the assistance of the Government of Ontario, is a case in point. Until the establishment of this food terminal in 1954 farm produce was received, stored and distributed in a market designed for horse and buggy traffic and for a population which 75 years ago was only a fraction of its present size. Warehouses and marketing facilities were in a poor state of repair and totally inadequate in size. Cold storage was extremely limited and food spoilage was high. Streets were narrow and congested and transportation difficult, tedious and slow.

The Toronto wholesale food market is of concern to growers and consumers in the area from the Head of the Lakes to the Atlantic. It derives its importance not only because of the great tonnage of food that passes through it but because of the fact that the prices established in this market influence domestic prices for a vast area nearly 3,000 miles wide. The Toronto fruit and wholesale produce market is the price barometer of produce from Fort William to Halifax. It should therefore





reflect the competitive supply and demand situation and possess efficient facilities that will avert unnecessary handling and other functions which add to the extent of the food marketing margin.

The Terminal, opened July 1, 1954, occupies a 50-acre market area. Its facilities include an 8-acre Farmers' and Truckers' Market for 800 trucks, an 8-acre Railway Yard with a holding and switching capacity of 225 cars, public car and truck parking facilities for 1,000 vehicles.

The Terminal Market Building contains 42 stores for wholesaling fresh fruits and vegetables, 20 stores for special operations such as banana and tomato ripening and vegetable pre-packaging, and the largest one-floor cold storage plant in Canada. All stores and the cold storage have direct access to covered front and rear docks and to railway sidings.

The cost of constructing the Terminal was advanced by the Ontario Government on a 30-year amortization plan secured by the rents from 30-year warehouse leases with the produce trade, annual leases for office space, stall fee from the Farmers' and Truckers' Market section; revenue from the cold storage plant and from the sale or lease of various concessions. Ultimately, the Government capital advances will be retired.

Since the Ontario Food Terminal came into operation its facilities have been leased to capacity,





its bonded indebtedness has been fully serviced and the increased efficiency resulting from spacious and modern facilities has benefited every section of the community through the freshness and variety and speed with which fruits and vegetables, domestic and imported, have been handled through to the retail trade and ultimately to the housewife.

### CHAPTER III: AGRICULTURAL RESEARCH AND

EDUCATION - A close relationship between research and education is essential to any industry intent on applying to its problems of production the most recently developed techniques and equipment. Recognition of the importance of this is well exemplified by the efforts of the Ontario Department of Agriculture in respect to Ontario's agricultural industry.

Through the inter-relationship of the Department's Farm Economics and Statistics Branch, its Extension Branch and the Ontario Agricultural College, Schools and Experimental Farms, it is able, by means of education courses and information services, to transfer to the Ontario farm population the latest results of scientific and economic agricultural research.

The Ontario Agricultural College and the smaller experimental and demonstration farms, which operate under the general control of the Department of Agriculture, are responsible for most of the scientific research. O.A.C., particularly, carries out the basic research done on such subjects as







livestock, breeding and nutrition, fundamental chemical studies, crop improvement, soil fertility and erosion and plant disease, insect and weed control. The research function of the experimental and demonstration farms is mainly the application, testing and development of the results of the basic research.

In the field of economic research, a major role is played by the Farm Economics and Statistics Branch of the Department of Agriculture. Its main task is "developmental research" -- i.e., the establishment of standards of operating efficiency with special reference to farm management and accounting, production levels, and price margins. In co-operation with the O.A.C. it provides short courses of instruction in connection with the Department's extension program, and an advisory and information service. The O.A.C. contributes to economic research through studies of various phases of the economics of farming, and carries out statistical and farm accounting studies. The Experimental and Demonstration Farms again serve as the practical testing ground where new methods are applied and developed.

Research without eventual application is pointless. Therefore, in order to ensure the continuing co-operation between research and extension there exists the Agricultural Economics





Co-ordinating Committee. Two senior staff members each of the Farm Economics Branch and of the Agricultural Economics Department of the Ontario Agricultural College meet monthly to co-ordinate research and extension activities. This arrangement obviates the possibility of overlapping activities and gives better planning for the research of both bodies. The degree of co-operation between research and educational facilities is evident also from the extent to which sections of the Extension Branch (whose education function is to be discussed below) call upon O.A.A.C. and the Farm Economics Branch to carry out research in which they are particularly interested.

The function of education is carried out for the Department of Agriculture chiefly by the Colleges and Schools, the Extension Branch and the Agricultural and Horticultural Societies Branch.

The Ontario Agricultural College, MacDonald Institute, The Ontario Veterinary College, The Kemptville Agricultural School and the Western Ontario Agricultural School and Experimental Farm provide courses of instruction in the agricultural sciences. Their classroom study is combined with practical training in specialized subjects. Perhaps even more important than the regular courses of instruction are the extension activities carried out by these institutions. At O.A.C., for example,





members of the College staff in all departments are consulted throughout the year by individuals and organized groups. In addition to this and their regular teaching duties, the staff takes part in public information programs, visits farms to deal with individual problems and prepares bulletins and circulars for the press and other farm journals. Through all of these functions carried on by the Colleges and educational institutions the agricultural population receives the benefit of their most recent research.

The Department of Agriculture has its own Extension Branch which provides more specialized educational services. The Agricultural Representative Service offers information on such subjects as live-stock improvement and soil and crop improvement, gives assistance to Northern Ontario farmers, teaches night school, acts as judges at fairs and ploughing matches, and generally provides publicity for the farming community. In addition, through its field-men, the Department of Agriculture's policy on specific items is relayed to the farmer. The Home Economics Service, Fruit and Vegetable Extension Service, Tobacco Extension Service and the Agricultural Engineering Service also perform services of a similar nature in their specialized fields - embracing Junior Extension work, information service and technical assistance. The close relationship of the Extension





Branch with the research activities of the Colleges and Schools has already been indicated.

Finally, there are the activities of the Agricultural and Horticultural Societies Branch whose educational function is shown particularly through its direction and assistance to agricultural and horticultural societies. It also administers grants provided for these organizations.

The following diagram shows clearly the way in which, under the general control of the Ontario Department of Agriculture, the research activities of the Schools, Colleges and Farm Economics Branch are related to the agricultural education made available to the Ontario farmer through classroom study, extension courses and the Department's Extension Branch.

CHAPTER IV: PROCESSING AND MARKETING FOOD PRODUCTS IN ONTARIO - The importance of the entire processing and marketing function has been accentuated by the trend towards large-scale specialized farm production, the growth of large centres of population, sometimes at considerable distances from the farming areas, the development of refrigeration and modern packaging and the increasing diversity of consumer wants. All these factors have combined to effect a transformation in Ontario's food products industry.

The Food Processing Industry: The food processing industry in Ontario plays a vital role in









the Ontario economy. The major part of the agricultural output must undergo changes before it is able to satisfy the demand of the ultimate consumers. Agricultural products constitute the raw material which the processor uses in the manufacture of particular food products. To the raw material must be added capital, in the form of extensive machinery and plant, labour, and managerial skill. After processing, the resultant product is in a form which can be utilized by the consumer.

The food processing industry is dependent upon, and has been augmented by, the extensive and varied agricultural output of the Province. The buying public, having high and expanding levels of personal disposable income and enjoying a high standard of living, can demand a rich variety of processed foods. The population of the Province, approaching 6 million, provides the largest single market for processed food in Canada. Together with the diversity of our farm output, the existence of this large and expanding market has led to a concentration of Canada's food processing in this Province.

Although Ontario has only 34 per cent of Canada's total food processing industries, the gross selling value of its food processing establishments forms, on the average, well over 40 per cent of the Canadian total. In the case of food and vegetable preparations, Ontario firms account for 67 per cent



of the total, and in the case of prepared breakfast foods, over 90 per cent. Various statistics on these products are shown in the following series of tables.

TABLE IX

Number of Establishments in Selected Food Processing Industries Ontario and Canada

<u>Industry</u>	<u>1956</u>		<u>Ontario as % of Canada</u>
	<u>No. of Establishments Canada</u>	<u>Ontario</u>	
Products	1,468	478	32.5
and Vegetable Preparations	446	196	43.9
tering and Meat Packing	154	55	35.7
and Other Bakery Products	2,624	849	32.4
t	46	13	28.2
ed Breakfast Foods	18	7	38.9
tionery	275	96	34.9
laneous	301	110	36.5
	<u>5,332</u>	<u>1,804</u>	<u>33.8</u>

TABLE X

Gross Selling Value of Selected Food Processing Industries Ontario and Canada

<u>Industry</u>	<u>1956</u>		<u>Ontario as % of Canada</u>
	<u>Gross Selling Value of Product(1) Canada</u>	<u>Ontario</u>	
	<u>(\$ thousands)</u>		
Products	551,783	202,221	36.6
and Vegetable Preparations	249,884	168,449	67.4
tering and Meat Packing	244,885	332,271	39.3
and Other Bakery Products	306,805	128,405	41.9
	76,610	32,941	43.0
Breakfast Foods	30,968	28,025	90.5
onery	196,066	68,362	34.9
aneous	334,668	133,450	40.0
ate Food Processing	<u>2,591,673</u>	<u>1,094,124</u>	<u>42.2</u>

Gross Selling Value of Product is the value of shipments rather than value of production.



ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

Trends in the Processing Industry: As in many other lines of business, the number of establishments engaged in food processing has declined in recent years. The only branch of the industry to show an upward trend is confectionery which indicates a rise from 82 establishments in 1949 to 96 in 1956. In all other divisions of the food processing industry the number of firms has fallen. The average value of business carried on in each establishment has, however, substantially increased.

TABLE XI

Number of Establishments and Gross Selling Value of Product in Ontario 1949 - 1956

(Eight Industries in the Food and Beverage Processing Group)

<u>Name of Industry</u>	<u>Number of Establishments</u>		<u>G.S.V. of Product</u>	
	<u>1949</u>	<u>1956</u>	<u>1949</u>	<u>1956</u>
			(\$ '000)	
Fruit Products	706	478	159,377	202,221
Fruit and Vegetable Preparations	210	196	95,224	168,448
Slaughtering and Meat Packing	67	55	265,291	332,270
Bread and Bakery Products	948	849	88,200	128,404
Dessert	15	13	21,815	32,941
Prepared Breakfast Foods	8	7	15,974	28,025
Confectionery	82	96	56,913	68,362
Miscellaneous Food Preparations	117	110	53,352	133,449
	<u>2,153</u>	<u>1,804</u>	<u>756,146</u>	<u>1,094,124</u>

The number of establishments tells us little, if anything, about the actual size of the firms operating in each industry. For example, in the slaughtering and meat-packing industry there are 55 establishments and 52 firms. However, while actual figures are not available, it can be safely assumed



ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO



that two or three firms account for the greater part of total sales within the industry. Similarly, in the fruit and vegetable preparations industry, there are 196 establishments and only 137 firms, one of which contains 39 plants. Generally speaking, each food processing industry in Ontario is dominated by a few relatively large firms.

Although the general pattern of the 1949-1956 period has been one of absolute decline in both the number of firms and establishments, there are two significant variations which should be noted. Reflecting changing tastes and higher levels of income, there has been an increase in the number of firms in the confectionery industry. The yearly fluctuations of the number of firms in the fruit and vegetable preparations industry demonstrate the keenly competitive nature of this industry in which firms tend to enter and leave the industry, depending on changing market conditions. One is led to suspect that a change in the number of firms over a period of years is accounted for by adjustments in the number of marginal producers which the market will support at any particular time.

The Lack of Profit Information on Food Processors - The severely restricted nature of the financial data which is available makes it impractical to analyze the profit position of any specific segment of the food processing industry. Most of the firms







operate on an interprovincial or international basis and the limited material which can be drawn from their published financial statements does not permit an intelligent assessment of their financial operations in this Province. The fact that many food processors also produce non-food products renders the task even more complex. We have made an intensive search for information on the sales, capitalization, profits and other relevant factors of Ontario food processors without obtaining any information upon which a conclusion can be founded. Previous studies which we have made on the financial position of the dairy industry in Ontario have not, in general, presented any evidence that the industry was earning unwarranted profits. On the contrary, such evidence as is available seems to suggest that any further reduction in the return to invested capital in this industry would not be conducive to its healthy, long term growth. In this industry profits depend upon mass selling volume. The small operator finds it difficult to compete with the result that in recent years the number of dairies and other food processors has declined rapidly.

It is therefore impossible to generalize on the financial operations of food processors. Far more intensive and effective efforts must be made to obtain information on their operations in Canada and in the respective provinces before any





reliable assessment can be made as to the level of profits of these firms. It is, of course, in the interest of the consumers and the people at large, as well as the individual firms, that the processing as well as the primary industries should receive a sufficient return to promote efficient operation and the installation of modern machinery and equipment. It would be in the general interest of the processing industries if they all compiled and published adequate statements of their financial operations in Ontario and in the other Canadian provinces. While it is necessary that the consumer and the primary producer should be protected against profiteering, at the same time price and profit margins in the processing and marketing industries must be such as to enable them to attract investment capital and to maintain a strong and healthy position.

The Marketing Function - The simplest marketing relationship that exists is, of course, the flow of goods from the producer directly to the consumer. The most common example of this type of marketing, which is incidentally becoming increasingly less significant, is the sale of unprocessed farm products to the consumer at the farm. Local market selling of this type also occurs through direct sales at the consumer's home, at road-side markets, and especially in retail public markets or farmers' markets. The farmer may also sell his produce to





a wholesaler or to a retailer, who in turn sells to the ultimate consumer.

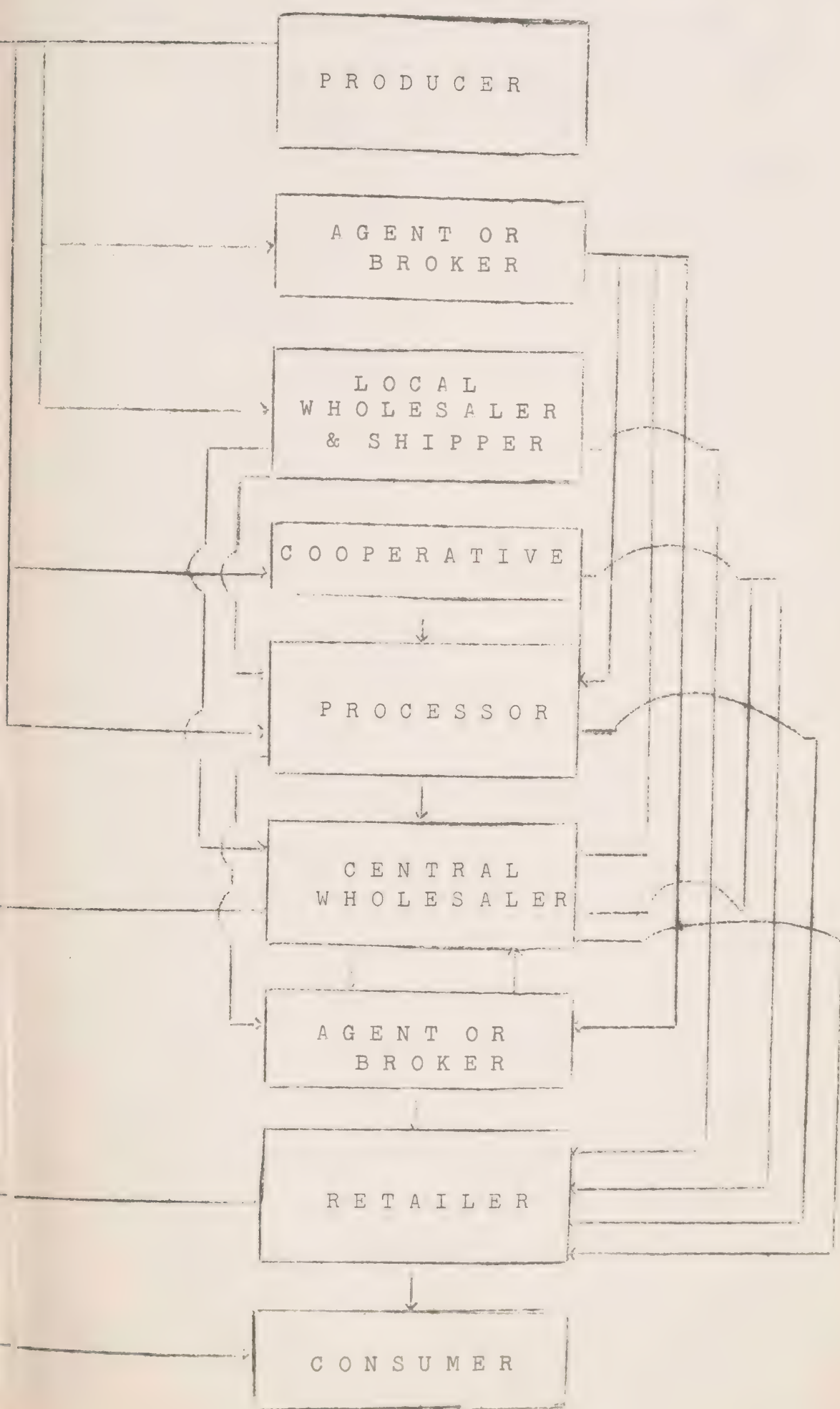
A variety of middlemen may exist as additional steps between the producer and the retailer. Even farm products which require no processing may be sold to resident buyers, travelling buyers, wholesalers, retail store shipping agents or to producer-co-operatives.

If processing is required, several additional stages may be involved before the product reaches the ultimate consumer. To give an example: the farmer may slaughter his own livestock and sell directly to a local butcher, but more commonly, especially in large-scale operations, the livestock may be sold either directly or through intermediaries to the meat packer. Sales at public stock yards may be conducted by commission merchants or co-operative associations selling for others or by dealers or farmers selling for themselves. Wholesale cuts of processed meat may be then sold by the packer to the wholesaling agent who in turn sells it to the retailer, or as is more common with large retailing establishments, directly to the retailer. Additional steps are added to the meat marketing process by the existence of meat brokers. These agencies buy surplus supplies of particular varieties of cuts from the packing house in one area and sell them again to other brokers or wholesalers in other areas



DIAGRAM II

Some Complexities in the Marketing Process







ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO





where there is sufficient demand. This clearing function of the meat broker, a valuable feature, adds to the complexity of the meat marketing pattern.

The simple marketing process of any particular farm product may be conveniently regarded in terms of three general functions: Concentration, referring to the physical bringing together of goods at some central point; equalization, which is the function performed by the wholesaler of adjusting the flow of commodities towards the points of demand; and Dispersion, the primary function of the retailer. It is not difficult to see that the three functions of concentration, equalization and dispersion are, in fact, performed to a lesser or greater extent at each level of the marketing process. As we shall see later, these divisions have tended in recent years to blend more within one another in consequence of the emergence of the large retail chain stores selling their own brand name products.

Wholesaling in Ontario - Many food products are sold through some sort of wholesaling middleman before they reach the retailer and thence the ultimate consumer. Essentially the role of the wholesaler is to equate supplies of food products to demand in any particular area. In terms of the whole marketing structure his main function is that of concentration and equalization when purchasing food products and dispersion and equalization when





selling food products. In addition, the wholesaler is, to a large extent, a speculator who takes a substantial risk in the distribution pattern. He is called upon to help finance the farmer by extending credit, supplying market information, storage and transportation of farm products.

The wholesaling function is complicated by the vast number of the various types of wholesalers, agents, jobbers, co-operatives, etc., engaged in the industry. The existence of these wholesalers complicates the generally accepted simple patterns of distribution between producer and consumer, but they all perform the same general function in the attempt to equalize the supply of any particular product with demand at a specified place.

An examination of census figures available on wholesalers proper (See Appendix 3, Table III) shows several trends that have taken place in Ontario for the twenty years between the 1931 and 1951 census. In general the number of wholesale establishments increased from 1930 to 1941 and then, with the exception of the general grocery line, declined. While net sales varied within each kind of business, on the whole dollar sales continued to increase after 1941. Statistics are not available since 1951, but it is probable that the trend towards fewer establishments has continued.



FF  
ET:12  
10/15



ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

2623

As noted above, the major exception to the general trend in the industry is the expansion of the general line of grocery wholesalers. This group is made up of both large and small wholesalers selling a wide variety of goods to retailers throughout the province. The increase in the number of establishments is a direct result of the changes that have taken place in the retailing industry, especially the growth of the combination store which sells a larger variety of items than most stores have in past years.

Retailing in Ontario: The last function, and indeed the purpose of the whole marketing process, is the sale of goods to the ultimate consumer. Primarily this takes place through the agency of the retail store. The retailer, the last link in the chain of distribution, performs a dispersion function and attempts to equalize supply and demand in the local area.

The changes that have taken place within the retailing sector have had a marked effect on the whole marketing pattern. Census material (see Appendix 3, Table IV) indicates that, in Ontario, there has been a decline in the number of stores within each type of business while dollar sales have shown an upward trend in general. The two major exceptions to the overall trend have been the increase in both sales and numbers of combination stores and the expansion of specialized retail





stores dispensing candy and confectionery. The growth in the latter group is a direct result of higher living standards and changing tastes, as each of these types of business sells non-staples.

The rapid growth of combination stores is a result of the tendency of local corner markets to increase the quantity and variety of their goods in order to improve their competitive position through volume selling. The major development resulting from this has been the growing number of chain supermarkets. In 1941 there were in Ontario 41 chains operating 790 stores but many of them were small and specialized; in 1956 there were only 14 chains operating over 575 stores, but many of these stores were modern supermarkets.

TABLE XII

Chain Food Stores and Sales in Ontario  
(Grocery & Combination Stores)  
1941 and 1951 - 1956

<u>Year</u>	<u>Number of Chains</u>	<u>Number of Stores</u>	<u>Sales</u>
1941	41	790	99,318,600
1951	26	575	338,520,400
1952	23	556	383,639,100
1953	19	526	417,254,200
1954	20	533	469,240,600
1955	16	555	514,839,900
1956	14	575	585,135,400

Source: D.B.S. Retail Chain Stores.









The large capital expenditure needed to build the physical plant of the supermarket has made it impossible for small entrepreneurs operating limited chains to compete with the large corporations in this field. Despite a continuing decline in the number of chains, there has been an upswing since 1953 in the number of outlets as the larger chains entered into a stage of large-scale expansion.

The two major developments within the retail industry that have taken place in response to the supermarket have been the development of a cooperative wholesale business which deals under contract to independent store owners and the contract relations between large wholesalers and small chains. An outstanding example of the first type has been the I.G.A. The independent retailers have cooperated in setting up a wholesale agency so that they could enjoy the benefits of large-scale buying.

Obviously the most significant development in the pattern of retail trade has been the growing importance of the large-scale retailing establishment, especially the chain store supermarket. This development has been encouraged by the increased concentration of population, improved communications, improved transportation, higher living standards, mass production and an increased variety of goods. Fundamental to the nature of retailing in





the large, self-service, cash-and-carry chain store supermarket are the innovations in packaging, and the promotion of nationally advertised brands.

Why has this development occurred? The main reasons seem to be: first, because of its size the chain store is able to perform the retail function, and now in many cases the wholesale function, more efficiently than its competitors; and secondly, it enjoys a stronger bargaining position than its competitors. It has been estimated in the United States, at least, that chain store prices for groceries are 5 to 6 per cent lower than those of their competitors.

The price differential as compared with smaller retail establishments is partly made possible by a considerable reduction in the extent of the free services performed. Self-service, fewer deliveries and fewer returns and adjustments make for lower costs. The rapid stock turnover effects savings in interest charges, storage space and insurance. Certain economies are gained through the standardization of fixtures, equipment and store arrangement. By integrating the efforts of several members of the chain in any particular area advertising costs may also be reduced. Finally, there is the simple but evident advantage gained by reaching internal and external economies of scale of plant.

Another aspect of the chain stores' retailing





advantage, and one which has become increasingly evident, is its buying advantage. Because of its volume selling, the chain store is able to make mass purchases at quantity discounts. It has the ability to command lower prices, and equally important, it has the personnel to buy wisely. Not only is there integrated buying by a single organization for the firm's many retail outlets, but also an increasing tendency on the part of chain stores to avoid wholesalers altogether by dealing directly with farmers or processors. In this respect a significant change in the marketing process has occurred, and if, as seems likely, the development of the chain store continues, the wholesaling function of the chains will become increasingly important.

Changes in Marketing Pattern: Aside from the complexities in the marketing process which have been described above, several significant changes have occurred in the bargaining positions of the institutions involved. For purposes of analysis, attention is focused on the four major institutions in the producer-to-consumer pattern; the producer, the processor, the wholesaler and the retailer.

The production of agricultural goods has tended to become concentrated in larger and more specialized units. Their bargaining power has been enhanced by the recent developments of cooperatives and farm marketing boards. The concentration of







large quantities of farm products at either the farm level or in the cooperative has led to the emergence of direct shipment from the producing level to the retailer. The developments of specialization and cooperatives have given the farmer wider marketing opportunities and have thus tended to improve his bargaining position.

The processing function, while increasing the variety and value of its activities, has tended to become even more centralized within a fewer number of firms in each industry. Generally the bargaining power of the processors has lessened in relation to the institutions with which they deal. Nevertheless, within particular processing industries, the bargaining power of certain firms has been increased.

There has been a tendency to bypass the wholesalers in the marketing of particular farm and processed food products. The extent of this development is revealed by the declining number of specialized wholesaling firms. In contrast to this overall trend is the marked increase in both the number of establishments and net sales of the general grocery line wholesaler. The reason for this has been the rapid expansion of the variety of food products, and other goods, sold in retail food stores. In an attempt to maintain his position in the market, the wholesaler has entered into contracts with the smaller retail chains. Despite these efforts, the







emerging importance of the large chain store in its wholesaling aspect has reduced the bargaining position of the wholesaler.

The development of the large corporations operating retail food chains on a provincial, national and even international basis is the fundamental innovation in the food marketing process. By assuming more of the functions of the marketing process, including wholesaling and to a certain extent processing, these firms have achieved a bargaining position unrivalled in the whole marketing process. For example, in respect to canned goods, in contrast to the independent grocer who must deal with a general-line wholesaler, the large retail chain deals directly with the processor. In the case of fresh peaches, it has dealt directly with the peach growers' cooperative. In general it desires to purchase as close as possible to the primary producer with a view to eliminating the middleman spread.

The Royal Commission on Price Spreads in 1934-35 paid particular attention to the position of the processor in the marketing of food products. Recent developments in the marketing process suggest that any inquiry into the matter of price spreads on food products must involve an examination of not only the position of the processor but also of other participants. The bargaining position





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

2636

of the processor has remained strong but the relative growth of the large retail chain and the diminishing role of the independent wholesaler would appear to dictate a shift in emphasis.

---A short recess.



--- Upon resuming at 3.30 p.m.

THE CHAIRMAN: We will come to order now, please. Will you please carry on, Mr. Gathercole.

MR. GATHERCOLE: Yes.

## PART II: THE PROBLEM OF PRICE SPREADS -

In Part I we discussed the major characteristics of farming, processing and the distribution or marketing system.

In Part II we describe some of the price-spread trends in the United States, Canada and Ontario, and discuss these trends in conjunction with the changing consumption pattern and the components of the marketing margin. The price-spread under discussion here is the farm-retail spread, or the difference between the price the farmer receives for his product and the price the consumer pays the retailer.

### CHAPTER V: TRENDS IN THE SIZE OF PRICE SPREADS - Price-Spread Trends in the United States -

The United States Department of Agriculture reported on the price spreads for 58 farm food products as early as 1936, and at the present time publishes a "market basket" series comprising 60 items for the purpose of analysis of the price-spread problem. This is the most complete information available on the characteristics of price spreads and the factors affecting them. A review of the findings in the





United States will enhance our understanding of these matters and assist us in interpreting the material that is available at present in Canada.

In 1940 the farmers in the United States received 40 per cent of the retail price of the food products included in the "market basket", while 60 per cent went to the marketing and processing services. By 1945, the farmer's share had risen to 53 per cent, while the marketing and processing services' share had dropped to 47 per cent. By 1956 the proportions reverted to those of 1940 with the farmer's share again at 40 per cent.

The increase in the farm share of retail price during the war was the result of special circumstances, primarily the greatly increased demand for food products, supplemented by Federal price controls and subsidies. The Federal Government paid subsidies to processors and distributors of some commodities to enable them to pay higher prices to farmers and at the same time keep consumer prices relatively stable.

With the removal of price controls and subsidies in mid-1946, retail prices rose more rapidly than farm prices and the price spread widened. Following the Korean conflict, retail prices declined slowly while farm prices fell more steeply, and the price spread expanded until the farmer's share slipped to the 1940 level of 40 per cent of the retail price of the "market basket". (See Tables, p.39 for

THE UNIVERSITY OF CHICAGO

DEPARTMENT OF THE HISTORY OF ARTS

THE HISTORY OF ARTS IN THE UNITED STATES

THE HISTORY OF ARTS IN THE UNITED STATES

THE HISTORY OF ARTS IN THE UNITED STATES

THE HISTORY OF ARTS IN THE UNITED STATES

THE HISTORY OF ARTS IN THE UNITED STATES

THE HISTORY OF ARTS IN THE UNITED STATES

THE HISTORY OF ARTS IN THE UNITED STATES

THE HISTORY OF ARTS IN THE UNITED STATES

THE HISTORY OF ARTS IN THE UNITED STATES

THE HISTORY OF ARTS IN THE UNITED STATES

THE HISTORY OF ARTS IN THE UNITED STATES

THE HISTORY OF ARTS IN THE UNITED STATES

THE HISTORY OF ARTS IN THE UNITED STATES

THE HISTORY OF ARTS IN THE UNITED STATES

THE HISTORY OF ARTS IN THE UNITED STATES

THE HISTORY OF ARTS IN THE UNITED STATES

THE HISTORY OF ARTS IN THE UNITED STATES

THE HISTORY OF ARTS IN THE UNITED STATES

THE HISTORY OF ARTS IN THE UNITED STATES

THE HISTORY OF ARTS IN THE UNITED STATES

THE HISTORY OF ARTS IN THE UNITED STATES

THE HISTORY OF ARTS IN THE UNITED STATES

THE HISTORY OF ARTS IN THE UNITED STATES

THE HISTORY OF ARTS IN THE UNITED STATES





the statistics in these series from 1947 to 1956).

The farmer's share varied, however, among the different products included in the "market basket". During the period 1953 to 1956, the farmer's share averaged about 71 per cent for butter, 69 per cent for eggs, 38 per cent for wheat flour, 15 per cent for white bread and 14 per cent for canned vegetables. (Farm-Retail Spreads for Food Products, Miscellaneous Publication #741, United States Department of Agriculture, Agricultural Marketing Service, Marketing Service Division, Nov. 1957, p. 60). These different shares deserve a moment's scrutiny, for they illustrate the manner in which the farmer's share may vary with the degree of processing the product requires after it leaves the farm, before it is ready for the consumer.

In general, the size of the farmer's share has depended upon whether the product was derived from animal or crop and was processed or unprocessed. During 1953 - 1956, the average farm shares in these categories were as follows:

<u>Category</u>	<u>Farmer's Share</u>
Animal products, unprocessed	62
Animal products, processed	47
Crops, unprocessed	35
Crops, processed	26



TABLE XIII

The "Market Basket" of Farm Foods: Retail Cost, Farm Value, Farm Retail Spread and Farmer's share of Retail Cost, United States, 1947-1956 (1)

Year	(2) Retail Cost	(3) Farm Value	(4) Farm-Retail Spread	Farmer's Share
	\$	\$	\$	%
1947	911	467	444	51
1948	982	497	485	51
1949	928	435	493	47
1950	920	432	488	47
1951	1,024	497	527	49
1952	1,034	482	552	47
1953	1,003	445	558	44
1954	986	421	565	43
1955	969	395	574	41
1956	972	390	582	40

TABLE XIV

The "Market Basket" of Farm Food Products: Indices of Retail Cost, Farm Value, Farm-Retail Spread, and Farmer's Share of Retail Cost, United States, 1947-1956 (1)

Year	Retail Cost	Farm Value	Farm-Retail Spread	Farmer's Share
	\$	\$	\$	%
1947	97	100	94	51
1948	104	107	102	51
1949	99	93	104	47
1950	98	93	103	47
1951	109	107	111	49
1952	110	103	116	47
1953	107	96	118	44
1954	105	90	119	43
1955	103	85	121	41
1956	103	84	123	40



ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO



- (1) Publication No. 741 United States Department of Agriculture, Nov. 1957.
- (2) Retail cost in the respective years of the average quantities of farm foods purchased in 1952 (the weight-base year) per urban wage-earner and clerical-worker family calculated from retail prices collected by the Bureau of Labour Statistics.
- (3) Payment to farmers for equivalent quantities of farm produce minus imputed value of by-products obtained in processing.
- (4) The spread or marketing margin represents the cost of processing and distributing services.

Some price Spread Trends in Canada - From the standpoint of the farmer's share of the retail price, Canadian experience has been similar to that of the United States. The farmer's share tends to be higher on livestock and other secondary farm products than it does on crops. That is to say, where the farmer's value of input is relatively great, his share is correspondingly large and, conversely, when the value of his input is small, his share is relatively small. By the same token, the more complex the stages of processing, handling and marketing, the greater, in general, is the marketing margin. To give a few examples: the farmer's share of the retail price of eggs and creamery butter, where the value of the farmer's input is relatively large and the processor's relatively small, amounts to about 75 per cent. In the case of livestock, another secondary farm product (but where processing is extensive), the





farmer's share of the retail price is about 60 per cent. With fluid milk, chicken and pork, the farmer's proportion is a little over 50 per cent. At the other end of the scale, the farmer's share of the retail price of white bread is only 15 per cent and that of canned tomatoes and peas, about 17 to 20 per cent. White flour, cheese and potatoes are in a middle position with the farm share around 35 to 45 per cent.

Regrettably, the statistics on farm and marketing shares do not appear to be available on a comparable basis prior to 1949. Those that are available since that time suggest that in general the farmer's share of the retail price of food products has declined. The following table shows not only the farmer's share of the retail price of a number of select commodities, but also the downward trend in the farm proportion between 1949 and 1956 in 10 of the 14 selected commodities.





TABLE XV

Farm Share of the Retail Cost as a Percentage of  
the Retail Price, 14 Selected Commodities, Canada  
1949-1956 (1)

Commodity	1949	1950	1951	1952	1953	1954	1955	1956(a)
	-----per cent-----							
Creamery Butter	76	75	79	77	77	78	77	77
Eggs, A - large	82	78	80	74	77	73	76	74
Beef, Blue Brand	64	67	71	62	57	56	59	57
Fluid Milk	56	55	54	54	54	53	53	52
Chicken (c)	56	58	58	56	54	55	58	51
Pork (c)	62	61	61	55	56	53	50	51
Potatoes	48	45	43	61	43	45	41(d)	41
Wheat Flour (b)	49	46	42	39	41	35	38	37
Cheese, plain process	35	32	35	27	27	28	27	37
Canned Peaches	26	23	21	22	21	22	21	24
Canned Pears	17	18	19	19	20	20	21	20
Canned Tomatoes	20	21	18	17	21	22	21	18
Canned Corn	15	15	14	15	16	17	17	17
White Bread (b)	23	21	18	16	17	14	15	14

Preliminary.

Based on domestic prices of wheat, in store Fort William - Port Arthur, less marketing charges from farm to Fort William - Port Arthur.

Method used subject to revision.

Revised.



ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO



The foregoing statistics on price spreads were constructed by Mr. Roger Perreault (Formerly with the Canada Department of Agriculture. Mr. Perreault's work was published as "Notes on Marketing Margins, and Farm Share of Retail Cost, 1949-56", in the Economic Annalist, June, 1957, pp. 70-72.) (The concepts "farm share" and "marketing share" should be distinguished from the concepts "farm value" and "Marketing margin", which are not expressed as proportions of the retail price, but in dollars and cents). As we have seen, his model comprises 14 selected food products which represent approximately 75 per cent of Canadian farm production domestically consumed. Mr. Perreault estimated that in 1949 the farmer's share of the retail cost of urban family food purchases was 51 per cent and the marketing and processing share, 49 per cent. By 1956, he estimated that the farmer's share had declined to 45 per cent, while the marketing and processing share had risen to 55 per cent.

Wide changes in the price spread of food products have occurred over this period of eight years from 1949 to 1956. While the price spread on canned peaches remained relatively constant and that on canned corn and creamery butter tended to decline, the price spread on white bread, potatoes, pork, beef, canned tomatoes, peas, eggs and fluid milk rose appreciably. In some years, the fluctuations in the spread were very marked; for example,



in the case of chickens the marketing margin was 25.7 cents in 1949; 30.0 cents in 1954; 23.1 cents in 1955 and 26.2 cents in 1956. These figures are shown in detail in the following table.

TABLE XVI

Average Annual Marketing Margins, 14 Selected Commodities, Canada, 1949-1956

<u>Commodity</u>	<u>Unit</u>	<u>1949</u>	<u>1950</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	(a)
-----cents per unit-----										
Potatoes	10 lb.	18.2	18.1	18.8	26.4	22.3	20.5	27.5	29.4	(d)
Pork	lb.	21.2	21.5	24.1	24.1	26.9	30.2	27.4	27.5	
Chicken	lb.	25.7	23.5	27.8	26.2	29.5	30.0	23.1	26.2	
Beef, Blue Brand	lb.	18.4	20.1	21.6	29.0	26.7	24.1	24.4	25.3	
Canned Tomatoes - Tinned	28 ox.	16.1	14.1	19.0	23.8	19.2	16.8	20.8	22.3	
Cheese, plain Processed	$\frac{1}{2}$ lb.	19.0	19.7	21.0	24.8	24.1	23.4	24.0	21.5	
Canned Peas - Tinned	20 oz.	14.6	14.2	15.2	16.6	16.9	16.8	16.3	18.0	
Canned Peaches	15 oz.	15.4	15.5	17.1	16.9	15.9	15.9	16.7	16.3	
Eggs, A - large	doz.	11.2	12.4	14.1	15.2	15.8	15.1	15.1	16.2	
Canned Corn - Tinned	16.2	14.8	15.8	15.8	16.7	15.2	14.8	15.8	15.5	
Creamery Butter	lb.	15.3	15.1	14.2	15.5	14.8	14.4	14.6	14.5	
White Bread (b)	lb.	7.7	8.1	9.4	9.9	10.0	10.7	10.7	11.5	
Fluid Milk	qt.	7.9	8.2	9.1	9.8	9.5	9.9	9.9	10.1	
Wheat Flour (b)	lb.	3.7	4.0	4.3	4.5	4.5	5.0	4.6	4.9	

a) Preliminary.

b) Based on domestic price of wheat, in store Fort William - Port Arthur, less marketing charges from farm to Fort William - Port Arthur.

c) Method used subject to revision.

d) Revised.



ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO



A rise in the farm-retail price spread does not always imply a reduction in farm prices. Nor does a decline in the price spread necessarily involve a rise in farm prices. The size of the price spread depends upon two variables, retail food prices and farm prices, which do not necessarily move in the same direction.

Price Spreads of Food Products in Ontario - In the last two years, the Ontario Department of Agriculture has been engaged in compiling an historical series of prices of selected farm products. Although this systematic collection of price statistics has only recently begun, some interesting and informative patterns are emerging. Among the tentative conclusions that may be drawn are the following:

The farm share of the consumer food dollar varies widely from product to product and is often the smaller proportion of it. Early and late potatoes, for example, returned the farmer, in 1957, approximately 40 per cent of the consumer dollar, marsh potatoes 35 per cent, turnips (rutabagas) 21 per cent, cooking onions 28 per cent, carrots in cellophane containers 38 per cent, celery 35 per cent and many others returned even less.

The farm share of a product varies with the type and size of container in which the product is sold at retail. Potatoes bought from a farmer at 85 cents per 75-pound bag were sold by a chain









store in five pound paper bags at 21 cents, 10-pound paper bags at 39 cents and used six-quart baskets at 53 cents, resulting in farm shares of 27.0 per cent, 29.1 per cent and 22.9 per cent respectively. The smaller farm share for the potatoes in the six-quart basket was due, in part, to the more expensive container used.

The farm share for most commodities changes with the season. This is particularly true of seasonal fruits and vegetables and eggs. Invariably, the farm share is relatively high at the beginning of the season, reaches a low point as supplies become abundant and rises towards the end of the season, though generally not to the level of the early season high.

Farm shares, too, often fluctuate spasmodically from week to week, especially in the case of the most perishable products. For instance, the farm share for celery was 47 per cent in one week, 27 per cent the following week and 39 per cent in the next week. Another illustration is that of carrots as shown in the following table, where the farm share was 41 per cent in one week, 27 per cent in the other and 37 in the next week.



<u>Week of</u>	<u>Average Farm Price per lb.</u>	<u>Average Wholesale Price per lb.</u>	<u>Average Chain Store Retail Price per lb.</u>	<u>Farm Share</u>
Aug. 5	2.9	6.3	7.0	41.4
Aug. 12	2.0	6.1	7.3	27.4
Aug. 19	2.5	6.0	6.7	37.3

It will be noticed that when the farmer's share declined in the second week, it was occasioned by a drop in the farm price and a rise in the retail price. In the third week, the retail price declined but the farm price rose.

Several conclusions may be drawn from this experience:

- (a) The primary producer generally receives a larger share of the consumer's dollar at the beginning and end of the season, when supplies are limited, than at the middle of the season when supplies are abundant and the price low.
- (b) Marketing charges are more inflexible than the price the farmer receives.
- (c) Farm shares are highly volatile and may fluctuate erratically from week to week.
- (d) Any annual calculation of the producers' share of the consumers' dollar must take into account that his yearly share is heavily weighted by his peak sales at the lower farm share during mid-season. Consequently, any annual calculations based on simple



ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO



averages will show the producers receiving a larger share of the consumers' dollar than is actually the case. Similarly, in the case of commodities "featured" by retailers, with a consequent reduction in the retail margin, any simple average calculation will show the retailer with a larger margin than actually exists,

The accompanying table provides additional examples of the variations in shares during the first week of the respective months from August to December, 1957, for nine Ontario farm food products. For all vegetables, the marketing share (including wholesaler and retailer) exceeded the farm share, while for apples, butter and eggs, the farm share was the larger.



TABLE XV11

Shares, By Trading Level, for Selected Fruits, Vegetables and Dairy Products, Ontario, August to December, 1957

Commodity	Aug. 5 %	Sept. 2 %	Oct. 7 %	Nov. 4 %	Dec. 2 %
Potatoes					
A Farm Share	46.7(1)	43.3(2)	43.3	35.5	N.A.
B Wholesale Share	33.3	36.7	36.7	41.9	N.A.
C Retail Share	20.0	20.0	20.0	22.6	N.A.
Potatoes, Marsh					
A	44.6	42.0	33.3	29.4	38.5
B	34.0	36.0	43.2	41.2	42.3
C	21.4	22.0	23.5	29.4	19.2
Butabagas (Turnips)					
A	N.A.	26.7	25.5	20.0	23.1
B	N.A.	11.6	7.2	16.0	13.4
C	N.A.	61.7	67.3	64.0	63.5
Celery #1					
A	44.4	31.7	28.4	33.0	N.A.
B	10.2	4.8	5.5	20.9	N.A.
C	45.4	63.5	66.1	46.1	N.A.
Carrots, topped #1, small					
A	41.4	40.3	35.5	38.3	39.7
B	48.6	38.7	33.9	46.7	27.2
C	10.0	21.0	30.6	15.0	32.1
Onions, cooking #1					
A	38.2	29.4	26.7	26.7	36.5
B	5.2	8.8	13.3	15.0	6.4
C	56.6	61.8	60.0	58.3	57.1
Apples, Fancy McIntosh					
A	N.A.	70.5	72.6	66.8	70.1
B	N.A.	9.0	17.3	13.7	8.4
C	N.A.	20.5	10.1	19.5	21.5
Butter					
A	75.1	76.4	76.9	77.1	77.3
B	17.3	15.5	13.7	13.3	15.6
C	7.6	8.1	9.4	9.6	7.1
Beans, Grade A Medium					
A	71.4	72.0	67.7	72.0	69.6
B	7.2	12.0	18.7	14.0	19.5
C	21.4	16.0	14.6	14.0	10.9

Early Potatoes.  
Late Potatoes.

SOURCE: Farm Economics and Statistics Branch, Ontario Department of Agriculture.



ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO





### Factors affecting Marketing Margins -

The marketing margin consists of charges for performing functions in assembling, processing and distributing agricultural products. Differences in margins will result from the type of product sold, its bulk and perishability, the degree of assembling, processing and distributing involved, the type of transportation employed, the distance the product has to be shipped, the kind of packaging used, the method of consumer distribution (self-serve or home delivery) adopted and many other factors.

While it is possible to find genuine and logical reasons for many variations in marketing charges, actual studies of margins also show the existence of inconsistent factors like: insufficient organization of buying and selling facilities, unequal bargaining power of buyers and sellers and different marketing procedures and costing and pricing policies.

Many changes are occurring in the process of moving food from producers to consumers, and we can expect margins to change. Enlarged bargaining units at both retail and country points are making it possible to place orders for car or truck lot to be delivered directly to retail outlets. A concentrated position in some lines of production may force shifts in marketing. Consumer demand





may also affect the type of commodity delivered, the container in which it is sold, as well as the manner of sale.

Processing and marketing functions, including packaging and advertising have been greatly altered in recent years and may, in some instances, account for the upward trend in marketing margins. There are examples where the cost of the container has absorbed one-third of the retail price and sometimes even more than the farmer receives for his product. On the other hand packaging and advertising may so increase consumer appeal and mass sales as to enhance the net returns to the farmer.

In some cases, the marketing functions and therefore the price spread has been increased by the processor or retailer performing tasks formerly undertaken by the farmer. More and more poultry, for example, is killed and plucked in plants operated by specialized labour and equipped with special machinery rather than on the farms. This shift of tasks from the farm to the marketing process results from awareness that many things can be done better and cheaper if performed by specialized intermediaries. The rapid growth of urban and suburban consumption has accelerated this trend, for a mass production plant requires mass markets.



HH  
RY:12  
10/15



ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

2653

The growth of marketing functions is also a result of a transfer to the marketing processes of tasks once performed by the consumer, but which the consumer now requires from the marketing process. The canning of fruit and vegetables, for example, is being performed by large-scale processing plants rather than in the home. This type of transition is an illustration of the application of specialization. Certain other transfers have occurred because householders find it no longer convenient to undertake the work. Modern houses, lacking the old-fashioned cellar, often do not provide adequate storage facilities for bulk food products. For example, rather than purchase 75-pound bags of potatoes, the consumer buys in 5 or 10-pound packages. This trend to purchasing frequently and in smaller quantities has required extra packaging and merchandising in the marketing processes, and means that storage is performed in the marketing processes.

Today, bread is sliced and wrapped, poultry is dressed and carved, and certain commodities are cooked and canned or frozen before being purchased by the consumer. The transfer of these functions to the marketing process is the result of such factors as higher consumer incomes, employment of housewives outside the home, and changes in the size of the family and household conditions -- all of which





may affect the consumer pattern and the marketing margin.

Milk Marketing and Consumption in  
Toronto

Over the period 1948-1958, the retail price of standard milk, home-delivered, in the Toronto market has increased from 18 cents per quart to 24 cents, while the price of whole milk at the farm level has advanced from 10.75 cents per quart to 12.92 cents. Thus the marketing margin on standard milk -- measured by the spread between the farm price of whole milk and the retail price of standard milk, home-delivered -- has become relatively larger in this period, rising from 40.3 per cent of the average retail price in 1948 to 46.2 per cent of the average retail price in 1958. Conversely, the farmer's share has dropped from 59.7 per cent to 53.8 per cent. These facts are shown in the following table:





TABLE XVIII

Average Annual Farm Prices, Retail Prices, Marketing  
Margins and Farm Shares on Standard Milk, Toronto,  
1948 - 1958

<u>Year</u>	<u>Farm Price</u>	Retail Home De- livery <u>Price</u>	<u>Price</u> <u>Spread</u>	<u>Marketing</u> <u>Share</u>	<u>Farm</u> <u>Share</u>
	-----	Cents per at.	-----	per cent of	retail price
1948	10.75	18.00	7.25	40.3	59.7
1949	10.82	18.75	7.93	42.3	57.7
1950	10.87	19.25	8.38	43.5	56.5
1951	11.45	20.71	9.26	44.7	55.3
1952	12.33	22.00	9.67	44.0	56.0
1953	12.26	22.00	9.74	44.3	55.7
1954	11.92	22.00	10.08	45.8	54.2
1955	11.92	22.00	10.08	45.8	54.2
1956	12.00	22.16	10.16	45.8	54.2
1957	12.55	23.25	10.70	46.0	54.0
1958 (9 months)	12.92	24.00	11.08	46.2	53.8

While the farm share of the retail price of standard milk has declined over the last decade, two distinct developments in the relationship between the farm and retail price of standard milk can be seen. During the six years from 1948 to 1954 the farm share of the retail price of standard milk decreased rapidly, although wide variations in the rate of decrease have occurred. From 1954 to 1958, the relationship between the farm price of whole milk and the retail price of standard milk has been very stable. A change of one cent per



ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO



quart in the price of whole milk at the farm level has been associated with a change of about two cents per quart in standard milk at the retail level.

Since 1954 producer prices of whole milk in the Toronto milk market have been based on a formula. This formula was recommended by a committee appointed by the Minister of Agriculture, and has been designed to assist producers and distributors in determining milk prices. The formula provides that whenever there is a change in the price paid to producers it can only be in the amount of 19 cents per 100 pounds of whole milk, which is equivalent to one-half cent per quart. Two such changes in the producer price of whole milk have taken place in the Toronto market since the inception of the formula, and each time the retail price of standard milk, home-delivered, rose by one cent, or twice the increase in producer price.

It should be noted that the retail prices of standard milk under consideration are for one quart containers, sold on home-delivery routes. Retail prices at the stores, and also for milk sold in a two-quart container on the routes, are lower than those quoted, and price spreads consequently smaller.

Changing Patterns in Fluid Milk Marketing:  
The changing pattern in fluid milk marketing in Toronto is an example of enlarged units as well as





of changing consumer demand. Fluid milk sales have risen with population, but shifts have occurred in the manner of sale, type of milk sold and containers used.

In January, 1952, the store price became two cents less than the home-delivered price in Toronto and since that time wholesale sales (store plus institutional sales) of standard fluid milk have increased from 32.8 per cent of total sales to 40.1 per cent in 1956.

Early in 1957, three quart jugs appeared in Toronto and for a time sales increased rapidly, mainly at the expense of the sale of one-quart bottles. In January, 1958, sales of three-quart jugs began to decrease as a result of the introduction of two-quart paper cartons. Sales of two-quart glass bottles, which appeared in 1957 on home-delivery routes, in order to compete with the three-quart jugs sold at the stores, increased continuously after their introduction, and accounted for 6.8 per cent of all sales of standard milk in the second quarter of 1958.

Sales have shifted from the high butterfat special milk to the partly skimmed milk or two per cent jersey milk. The sale of two per cent milk has more than tripled since 1952 while sales of special milk have been cut almost in half. Skim milk sales increased very rapidly up to 1954 and







since then have grown moderately. However, at present whole milk sales are still about ten times the volume of skim milk sales in the Toronto market. Total fluid milk sales have tended to rise with the growth in population, but, as they have not kept pace fully with our population increase over the last decade, sales have declined steadily on a per capita basis.

The Peach Marketing Board: The existence of a marketing board for peaches has increased the bargaining power of growers by enlarging the bargaining unit at the producer level. However, there have been many changes even in the short five-year period in which the Marketing Board has operated. Prior to the establishment of the Peach Board, the growers' price tended to be a residual. The Peach Board established minimum prices at the grower level, and these were periodically changed during the season. Prices through the marketing chain were built upon this grower price.

In 1957 the Board played an increasing part in the marketing of peaches by assuming some of the shipper's function. Toronto chains (including I.G.A.) purchased directly through the Board 39 per cent of all peaches shipped to Toronto and these direct purchases represented 10 per cent of the Ontario crop.

The producer's share of the retail price







varied from a low of 38 to a high of 45 per cent during the season and was 40 per cent on a weighted yearly average basis. As would be expected, the growers' net share was higher at the beginning and end of the season when prices were higher and marketings lower. (See Appendix 5, Graphs 6 and 7 of original brief.) The chain store margin also fluctuated from 21 per cent at the beginning of the season to 10 per cent at peak marketings. Fixed costs, such as transportation, marketing board deductions and container cost made up a larger share of the consumer's dollar in mid-season when the price was low.

#### The Margins for Beef at Toronto

In a study completed by Professor R. G. Marshall (Some Observations on Producer-Wholesale, Retail Prices for Beef and Beef Products, Toronto, 1948-1957) of the Ontario Agricultural College, Department of Agricultural Economics, it was found that for every change of one per cent per pound in the farm price for good steers, the average price to the consumer changes approximately 3.8 cents.

Over the ten-year period studied, the relationship between the farm price and the wholesale carcass price has remained unchanged. A change of one per cent per pound in the farm price has brought a change of 1.59 cents per pound in the wholesale carcass price.





On the other hand, retail prices for the five major cuts of beef have been increasing from one to just over two cents per pound per year, independent of any change in farm or wholesale prices. At the end of the ten-year period, retail prices had increased by from 10 to over 20 cents per pound, depending on the cut, with the increases for all five cuts averaging approximately 19 cents. Thus, the margin between the wholesale carcass price and the retail prices for the five cuts has been rising on the average approximately 1.9 cents per pound per year.

The range of the increases among the various cuts of beef -- from one cent per pound per year for blade roast, to approximately  $1\frac{1}{2}$  cents for stewing beef and over two cents for the higher cuts (sirloin steak, round steak and rib roast), appears to indicate a changing price structure for the various cuts, with the differential in retail prices widening between the higher and lower cuts in recent years. Although to establish this trend conclusively would require further study, it appears to be supported by studies of meat expenditures and consumption.

According to Drummond and Mackenzie, per capita volume (in pounds) of consumption of meat, poultry and fish products increased by 19 per cent from 1935-39 to 1951-55. Professor D. W. Slater (Consumption Expenditures in Canada, Slater, D. S.,





published for the Royal Commission on Canada's Economic Prospects, 1957, p. 82) states that per capita expenditures on these products increased by more than 400 per cent between 1937-38 and 1953, and that if there had been no shift to more expensive forms of meat the relative volume and expenditure increases would have indicated a price rise of 320 per cent. Accepting this argument, one may extend it to state that rising relative demand for more expensive meats would tend to establish a growing price differential between the higher and lower cuts of beef.

The main point is, however, that there has been a widening spread between the farm and the retail price of beef and that the immediate source of the trend is the tendency for the retail margin over the wholesale price to increase.

It is important to emphasize this point. In the case of beef as in the case of Ontario vegetables, the role of processing in the widening of the price spread must be regarded as secondary to the role of retail services.

1870

1871

1872

1873

1874

1875

1876

1877

1878

1879

1880



## CHAPTER VI

Consumption Trends and Patterns and the Marketing Margin: As has been pointed out in previous chapters, the price spread or marketing margin on food products has, in recent years, been expanding in both Canada and the United States.

The farm and food products industries have been influenced not only by the trend towards urbanization and higher living standards which have increased the annual per capita consumption of food in Canada by 7% between 1935-39 and 1951-55 (Progress and Prospects of Canadian Agriculture, Drummond, W.M., and Mackenzie, Wm., Ottawa, 1957, pp/32, 34, 35.

Published by the Royal Commission on Canada's Economic Prospects) but by the very rapid growth in our population. Coupled with this increase in consumption there has been a shift in the consumption patterns for food products. Although the per capita consumption of food products as a whole has been rising, the per capita consumption of cereals and potatoes has been declining.

The most significant increases in per capita consumption occurred for meat, poultry and eggs. The red meats, beef and pork, constitute between 85 per cent and 90 per cent of the meat consumed in Canada, and the increase in per capita consumption of these products is expected to continue, particularly after 1965. Cheese consumption has







increased, markedly, in recent years, as the introduction of packaged and processed cheddar has changed consumer attitudes towards cheese. Fresh and processed (canned or frozen) vegetables are also attracting increasing consumer attention.

It has been pointed out that the trends suggest in 1965 consumers will be demanding about two-thirds to three-quarters of the potatoes and cereals they consumed per capita in the 1935-39 period and that in 1980 they will want half the 1935-39 amount. By 1965, they will purchase about 25 per cent more meat, eggs and poultry per capita than was consumed in the 1935-39 period. By 1980 consumption of these commodities will have risen to about 150 per cent of the 1935-39 level.

---(See next page for Table XIX)



TABLE XIX

Trends and Estimates of Per Capita Consumption

	1935-39		1951-55		1965		1980		% of 1935-39
	Average		Average		Projection		Projection		
	lbs. Per Capita	% of 1935-39	lbs. Per Capita	% of 1935-39	lbs. Per Capita	% of 1935-39	lbs. Per Capita	% of 1935-39	
Cereals	202		166	82	152	75	128	63	
Potatoes	200		145	72	130	65	110	55	
Other Starches	106		108	102	108	102	105	99	
Fruits	113		169	149	177	156	223	197	
Vegetables	127		136	107	138	106	145	114	
Oils and Fats	16		29	179	32	198	35	216	
Dairy Products	449		448	100	438	98	418	93	
Red Meats	117		140	119	147	125	169	144	
Poultry, Meat	21		28	130	29	133	33	154	
Eggs	31		35	114	38	124	45	147	

Note:

Consumption figures are in retail weight except for fruits and vegetables given in fresh equivalent and meats expressed as dressed carcass weight.

Source: Progress and Prospects for Canadian Agriculture, Drummond, W.I., and Mackenzie, Wm., published for the Royal Commission on Canada's Economic Prospects, 1957, Chap. 2.



ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO



Another characteristic of the changes in consumption patterns is that the food products for which per capita consumption has been rising tend to have lower marketing shares (or higher farm shares) than those for which per capita consumption is stable or declining.

It cannot, of course, be inferred that the consumers are shifting towards some food products because these tend to have smaller marketing shares and therefore larger farm shares. The relationship is a coincidence rather than one of cause and effect.

---(See next page for Table XX)



Source: Marketing share statistics obtained from farm share statistics calculated by Mr. Roger Perreault, Ltd. p. 71, table 2. Domestic disappearance statistics are calculated from data in the Handbook of Agricultural Statistics, Part IV, Food

Consumption in Canada, 1926-55, Reference Paper No. 25, D.B.S. and Department of Agriculture. Comparison of Changes in Marketing Share with Changes in Per Capita Consumption, 14 Selected Commodities, Canada 1949-1955

Commodity	Unit	Marketing Share		Domestic Disappearance	
		1949	1955	Per Capita	% Change 1949-1955
Canned corn, tinned	20 oz.	85	83	-	5.5
Canned peas, tinned	20 oz.	83	79	+	13.9
Canned tomatoes, tinned	28 oz.	80	79	-	11.1
Canned peaches, tinned	15 oz.	74	79	+	11.1
Cheese, plain process	1 1/2 lb. pkg.	65	73	+	11.3
Wheat flour(s)	lb.	51	62	-	0.9
Potatoes	10 lb.	52	59	-	1.4
Pork (b)	lb.	38	50	+	4.7
Fluid milk	quart	44	47	±	
Chicken (b)	lb.	44	42	+	40.1
Beef, blue brand	lb.	36	41	+	26.1
Eggs, A large	doz.	18	24	+	23.3
Creamer, butter	lb.	24	23	-	1.5

Z W Z ± Change is not significant.

(a) Based on the domestic price of wheat, in store Fort William-Port Arthur, less marketing charges from farm to Fort William-Port Arthur.

(b) Method used in calculating marketing share is subject to revision.



ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO



Not all the trends are towards food products with relatively small marketing shares of course. As we have seen, the marketing shares on Ontario fresh vegetables appear to range between 60 and 80 per cent of the retail price. Furthermore, in so far as the shift towards fruits and vegetables is directed to canned products, it is one towards very high marketing shares. Nevertheless, the essential shift has been towards poultry, red meats and eggs and these have small marketing shares.

If the estimates made by Drummond and Mackenzie are approximately correct -- and they consider that the general trends will hold "no matter what the magnitude of error of these estimates is . . . " -- the fact that the emphasis will be on products that tend to have relatively low marketing shares -- or higher farm shares -- means that the average of farm shares may tend to rise in the future, particularly in view of the declining importance of cereals and potatoes in the weights.

The possibility of a higher average farm share depends partly upon whether farmers tend to overproduce livestock and livestock products in relation to demand during the next few years, partly upon both the efficiency of the marketing processes and the degree of demand in the non-farm economy for the factors involved in the marketing processes, and partly upon whether personal incomes rise sufficiently





to absorb any rise in the costs in the marketing processes.

Even if the average of farm shares does rise, however, this will not raise farm income if farm production costs are permitted to rise proportionately. Given the demand requirements estimated by Drummond and Mackenzie, the possibilities in terms of farm incomes depend not only upon conditions in the non-farm economy but also upon how well the farmers match supply with demand and upon how strenuously they strive to increase the efficiency of their operations.

#### CHAPTER VII

Conclusion: In this submission we have endeavoured to outline the changing structure of Ontario's agricultural industry and of the various arrangements which underlie the processing and marketing of food products in this Province. We have also described the functions of the research and educational institutions, inspection and grading agencies and the other instruments through which the Government sponsors and supports measures intended to assist the farmer and provide for the more orderly marketing and stable pricing of his products.

In recent years especially, Ontario farms have developed from a state of relative self-sufficiency to the point where their operations are now quite specialized. This trend has been accelerated by the





rapid increase in population, mainly in urban areas. While our farm population has been diminishing, the output of the farm has been increasing and is today appreciably greater than it was 20 years ago. This seeming paradox of a rising agricultural output with a declining farm labour force has been made possible by a combination of factors, including the greatly increased mechanization and electrification of farming operations and other scientific advances. Conditions in agriculture have improved immeasurably and many of the material amenities of urban life are now available on the farm, but the agricultural industry has not always shared in the expanding prosperity of the economy. One of our objectives must be to ensure that the agricultural industry is kept strong and that it offers a rewarding career to those who devote themselves to it.

In general, the farmer is by nature an independent, self-reliant person who believes in the efficacy of his own efforts. While his products are often sold under conditions of keen competition he buys his equipment and supplies in a market in which production and prices are more effectively regulated. The farmer is a victim of numerous vicissitudes arising from drought and disease, as well as uncertainties of his market. When prices decline, he is often prone to expand production which further aggravates disequilibrium in the market.





It is highly desirable that there should be keen competition in all branches of industry, for competition best assures progress and the rise in living standards. But if industry is to remain strong and capable of meeting requirements it must be able to attract new recruits at both managerial and labour levels and to provide a fair return on the capital invested in it. No industry can serve either itself or the people well which does not share in the general prosperity of the Province and the Nation. Reasonable stability in the short run and expansion of production in the long term must be our twin policy goals.

The Government of Ontario has sought to aid and strengthen the agricultural industry by the encouragement of scientific research, the provision of educational facilities, (including the appointment of departmental farm representatives), the development of marketing boards and co-operative arrangements, including the Ontario Milk Board, the establishment of inspection stations designed to improve the quality and standards of farm products, the adoption of a system of loans to young farmers to enable them to obtain farms of their own and the provision of assistance to facilitate the extension of electric power lines to rural dwellings and farm establishments.

Through its various agricultural colleges







and experimental stations and other educational research organizations, the Province is providing a sound foundation for the long term development of the farming industry. The Government has also strongly supported the establishment and operation of marketing schemes in which the producers themselves have united to sell their products under co-operative arrangements which they determine. Inevitably, not everyone agrees on the manner in which such marketing agencies should be operated but they have the broad support of the farming population and undoubtedly can make a significant contribution to price stability and to the orderly marketing of a number of farm products.

In the last decade-and-a-half, the Ontario Government has paid nearly \$100 million in subsidies for the construction of electric power lines and equipment to bring the benefits of electricity to the people in rural areas.

In many other ways the Government directly and indirectly seeks to enhance the economic well-being of the farmer. The construction of a network of modern highways, serving all parts of Ontario, has made it possible for the producer to direct his output to the most favourable markets quickly and easily. Indeed, the primary objective of the Province's services is to create the type of economic climate or environment which will be conducive to expansion and the even development of





all sectors of the economy.

Obviously, the sound development of the agricultural industry is of great importance to Ontario and indeed to the whole of Canada. A full understanding of the structure of the industry, of the constitution of the various interests with which it deals, together with all other relevant factors, is necessary to the satisfactory formulation of measures designed to promote its healthy, long term growth.

Thank you very much, Mr. Chairman.

THE CHAIRMAN: Thank you, Mr. Gathercole. We would like to ask you some questions and I leave it to you to work it out who will answer them. You have a good deal of assistance here, I see.

MR. GATHERCOLE: Perhaps I might at this point turn over this matter to Dr. Graham and he can call on any of his men who are more closely associated with the marketing, which I believe you are very much interested in, and any other questions which may arise concerning this submission, the tables that we have been referring to, perhaps I might refer the matter to some of my people.

THE CHAIRMAN: Mr. Graham, would you come up?

MR. GATHERCOLE: We have more copies of Professor Marshall's papers.

THE CHAIRMAN: Dr. Graham, I would like to





ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO



ROYAL COMMISSION  
ON  
PRICE SPREADS OF FOOD PRODUCTS

To be inserted at page 2672,  
Volume 16 of Transcript, follow-  
ing conclusion of reading of brief  
of Government of Ontario.

---



# APPENDICES

PAGE

Appendix I	Order in Council establishing the Royal Commission on Price Spreads for Food Products	A-I
Appendix 2	Statistics on Farm Operating Costs and Farm Income in Ontario	
Table I	Farm Operating Expenses and Depreciation Charges, Ontario, 1926-1957	A-2
Table II	Income of Farm Operators from Farming Operations, Ontario, 1926-1957	A-3
Appendix 3	Statistics on Wholesale and Retail Trade	A 4
Table III	Wholesale Trade in Ontario, 1931-1951	A-5 & 6
Table IV	Retail Trade in Ontario, 1931-1951	A 7 to 9
Appendix 4	Statistics Pertaining to Price Spreads for Foods and Beverages in Ontario and in Canada	A-10
Graph 1	Cost at Plant of Materials Used as a Percentage of Selling Value of Factory Shipments, Canada	A-11
Graph 2	Amounts Paid to Patrons as a Percentage of Value of Production of Creameries, Cheese Factories and Concentrated Milk Plants, Canada	A-11
Graph 3	Amount Paid for Milk and Cream as a Percentage of Selling Value of Factory Shipments from Butter and Cheese Factories, Canada, 1941-1956	A-12
Graph 4	Amount Paid for Milk and Cream as a Percentage of Selling Value of Factory Shipments from Concentrated Milk Factories, Ontario, 1941-1956	A-12
Graph 5	Gross Margin of Fruit and Vegetable Wholesalers and of Retail Food Chains, Ontario and Canada, 1947-1957	A-13





## APPENDICES (cont'd)

PAGE

Appendix 5	Statistics on Farm Shares and Price Spreads in Ontario	
Graph 6	Weekly Prices for Ontario Fresh Peaches shipped to Toronto Chain Stores, by Trading Level, 1957	A-14
Graph 7	Marketing Costs and Grower Share of Consumer Dollar - Niagara Fresh Peaches Sold in Toronto Chain Stores, 1957	A-15
Table <u>V</u>	Weekly Prices, by Trading Level, for Ontario Fresh Peaches Shipped to Toronto Chain Stores, 1957	A-16
	Farm, Wholesale and Retail Prices for Fruit, Vegetable and Dairy Products, Ontario, 1957	A-17
Table VI	Apples	A-18
Table VII	Strawberries	A-19
Table VIII	Strawberries, Comparison of Prices, Four Farmers and Four Stores	A-20 & 21
Table IX	Potatoes	A-22
Table X	Marsh Potatoes	A-23
Table XI	Turnips	A-24
Table XII	Carrots	A-25
Table XIII	Celery	A-26
Table XIV	Cooking Onions	A-27
Table XV	Stake Tomatoes	A-28
Table XVI	Beans, Beets and Lettuce	A-29
Table XVII	Bradford Marsh Lettuce	A-30
Table XVIII	Butter	A-31
Table XIX	Eggs, Grade A, Medium	A-32
Appendix 6	Statistics on the Milk Industry in Ontario	
Table XX	Growth of the Bulk Method of Handling Milk	A-33
Table XXI	Price Formula Calculations	A-34
Table XXII	Fluid Milk Sales in the Metropolitan Toronto Area (A) By Type of Milk (B) By Type of Container	A-35



APPENDIX I

P. C. 1957-1632

Certified to be a true copy of a Minute of a Meeting of the Committee of the Privy Council, approved by His Excellency the Governor General on the 10th December, 1957.

The Committee of the Privy Council, on the recommendation of the Right Honourable John George Diefenbaker, the Prime Minister, advise that:

Dr. Andrew Stewart, Edmonton, Alberta  
Mrs. Dorothy Walton, Toronto, Ontario  
Mr. Howard MacKichan, Halifax, Nova Scotia  
Mr. Romeo Martin, Montreal, Quebec  
Dr. W. M. Drummond, Guelph, Ontario  
Mr. Cleve Kidd, Toronto, Ontario, and  
Mr. Bernard Couvrette, Montreal, Quebec

be appointed Commissioners under Part I of the Inquiries Act, to:

- (a) inquire into the extent and the causes of the spread between the prices received by producers of food products at agricultural and fisheries origin and the prices paid by consumer therefor;
- (b) determine whether or not such price spreads in general or in particular cases are fair and reasonable, or are excessive, in relation to the services rendered;
- (c) make such recommendations as they deem appropriate if any such price spreads are found to be excessive; and
- (d) examine the adequacy of price information currently available.

The Committee further advises:

1. That the Commissioners be authorized to exercise all the powers set out in section 11 of the Inquiries Act;
2. That in the exercise of their powers to employ counsel, experts and assistants under section II of the Inquiries Act, the Commissioners may authorize remuneration to such persons and reimbursement for their expenses within such limits and on such conditions as the Treasury Board may determine from time to time.
3. That the Commissioners adopt such procedure and methods as they may from time to time deem expedient for the proper conduct of the inquiry and sit at such times and at such places in Canada as they may decide from time to time;
4. That the Commissioners be assisted to the fullest extent by government departments and agencies;
5. That the Commissioners report to the Governor in Council;
6. That Dr. Andrew Stewart be Chairman of the Commission.

R. B. Bryce  
Clerk of the Privy Council



## STATISTICS ON FARM OPERATING COSTS AND FARM INCOME IN ONTARIO

TABLE I

FARM OPERATING EXPENSES AND DEPRECIATION CHARGES - ONTARIO  
(BY 5 YEAR INTERVALS, 1926-1956 AND 1957)

	<u>1926</u>	<u>1931</u>	<u>1936</u>	<u>1941</u>	<u>1946</u>	<u>1951</u>	<u>1956</u>	<u>1957</u>
				(Thousands of Dollars)				
Taxes	15,004	16,800	13,932	12,830	13,902	26,429	39,613	41,576
Gross Rent	7,399	5,336	6,428	7,778	8,439	11,479	12,193	12,153
Hired Labour	30,323	24,832	23,409	27,554	41,340	64,377	73,480	78,480
Interest on Indebtedness	14,995	16,853	14,855	9,402	7,818	8,768	12,090	12,749
Feed and Seed	30,554	18,426	22,246	33,932	94,359	124,725	148,637	138,445
Tractor	2,863	3,294	2,864	6,341	11,397	29,624	39,608	40,195
Truck	2,054	2,819	2,357	3,173	4,921	15,360	19,848	21,400
Automobile	9,374	10,433	9,361	14,763	10,681	18,573	21,865	22,398
Engine and Combine	955	720	544	570	547	682	886	945
Machinery Repairs	2,920	2,666	3,104	3,997	6,968	11,742	12,052	12,300
Fertilizer	2,473	3,402	2,779	4,840	8,685	20,089	28,573	28,539
Fruit and Vegetable Supplies	3,283	2,539	2,632	4,676	7,784	10,994	13,325	14,250
Building Repairs	6,611	5,720	4,906	4,466	11,616	23,394	37,627	34,579
Electric Power	-	-	-	1,045	1,478	3,603	5,875	6,000
Miscellaneous	9,433	7,347	6,483	11,104	19,903	41,204	54,124	49,665
Depreciation on Machinery and Buildings	30,806	27,583	24,174	23,760	32,189	54,584	69,032	71,041
Total Operating and Depreciation	169,047	148,770	140,074	170,231	282,027	465,627	588,888	584,715

SOURCE: D.B.S. Handbook of Agricultural Statistics, Reference Paper No. 25, Part II.





TABLE II

INCOME OF FARM OPERATORS FROM FARMING OPERATIONS - ONTARIO  
(BY 5 YEAR INTERVALS, 1926-1956 AND 1957)

	<u>1926</u>	<u>1931</u>	<u>1936</u>	<u>1941</u> (Thousands of Dollars)	<u>1946</u>	<u>1951</u>	<u>1956</u>	<u>1957</u>
Cash Income from Farm Products	245,868	171,004	176,532	274,503	461,733	800,666	790,496	791,477
Income In Kind	83,658	62,354	56,846	55,518	73,419	94,421	97,002	97,917
Realized Gross Income	329,526	233,358	233,378	330,021	535,152	895,087	877,498	889,394
Operating and Depreciation Charges	169,047	148,770	140,074	170,231	282,027	465,627	588,888	584,715
Realized Net Income	160,479	84,588	93,304	159,790	253,125	429,460	298,610	304,679
Value of Inventory Change	-11,966	-4,054	-9,707	-13,530	+2,581	+1,712	+12,064	+17,278
Total Gross Income	317,560	229,304	223,671	316,491	537,733	896,799	899,562	906,672
Total Net Income	148,513	80,534	83,597	146,260	255,706	431,172	310,674	321,957

SOURCE: D.B.S. Handbook of Agricultural Statistics, Reference Paper No. 25, Part II.





APPENDIX 3

Statistics on Wholesale and Retail Trade,  
Canada, Census Years, 1931-1951.



WHOLESALE (PROPER), BY KIND OF BUSINESS IN ONTARIO  
(CENSUS YEARS 1931-1951)

Kind of Business	Year	Number of Establishments	Number of Proprietors	Number of Employees		Salaries And Wages	Net Sales
				Male	Female		
Dairy and Poultry	1930	26	22	143	50	221,100	4,173,100
	1941	21	22	60	32	108,700	4,042,500
	1951	11	9		(46) <sup>1</sup> .	112,900	6,402,900
Dairy Products	1930	6	4	25	2	57,500	2,124,000
	1941	42	47	191	25	264,800	7,105,000
	1951	26	29		(109) <sup>1</sup> .	276,300	7,490,800
Poultry Products	1930	16	16	18	7	27,000	822,900
	1941	34	42	101	19	140,800	4,297,900
	1951	28	40		(149) <sup>1</sup> .	325,500	12,920,700
Fish and Sea Foods	1930	23	13	171	13	216,700	3,249,800
	1941	21	18	147	13	249,200	3,588,300
	1951	19	20		(131) <sup>1</sup> .	373,100	5,549,600
Fruits and Vegetables	1930	92	106	482	70	748,000	19,411,000
	1941	167	186	552	70	876,200	24,420,600
	1951	90	94		(932) <sup>1</sup> .	2,747,800	54,945,700
Fruits	1930	36	49	70	31	113,000	3,854,200
	1941	57	61	91	9	157,600	6,869,100
	1951	31	48		(105) <sup>1</sup> .	303,700	16,950,000
Vegetables	1930	8	8	7	2	8,600	747,900
	1941	26	28	54	8	57,900	1,829,400
	1951	13	12		(48) <sup>1</sup> .	234,700	4,632,600



TABLE III (CONT'D)

Kind of Business	Year	Number of Establishments	Number of Proprietors	Number of Employees		Salaries And Wages	Net Sales
				Male	Female		
Produce	1930	29	22	220	37	459,100	8,442,500
	1941	23	19	51	11	82,300	2,502,200
	1951	-	-	-	-	-	-
Meat and Meat Products	1930	119	104	744	40	1,137,800	28,139,500
	1941	129	136	186	19	233,100	6,833,000
	1951	50	68	(163) <sup>1</sup>		745,200	14,869,300
Groceries (General Line)	1930	97	67	436	1,301	2,351,100	50,331,900
	1941	105	31	2,045	455	3,557,500	80,659,100
	1951	139	43	(3,395) <sup>1</sup>		9,139,500	207,126,000
Coffee, Tea and Spice	1930	19	19	18	67	160,300	4,311,400
	1941	18	15	78	36	196,300	5,967,000
	1951	12	11	(49) <sup>1</sup>		132,800	5,806,500
Canned Foods	1930	-	-	-	-	-	-
	1941	11	7	46	20	116,900	2,947,700
	1951	10	7	(54) <sup>1</sup>		175,400	8,735,300

SOURCE: Census of Canada, 1931, 1941, 1951.

(1) Census figures in 1951 gave a breakdown on the maximum and minimum number of employees in each category. The figure used in this table is the minimum number of employees in each group.



RETAIL TRADE IN ONTARIO, BY KIND OF BUSINESS  
(CENSUS YEARS 1931-1951)

Kind of Business	Year	No. of Stores	Proprietors		Full Time Employees			Net Sales
			Male	Female	Male	Wages and Salaries		
						Female	Salaries	
Candy Stores	1930	103	25	11	34		194,800	1,757,800
	1941	123	22	3	19		218,800	1,952,800
	1951	167	44	10		(387) <sup>1.</sup>	522,100	3,656,900
Caterers	1930	4	5	-	-	4	3,300	91,200
	1941	26	12	4	35	24	42,100	288,000
	1951	73	50	15		(648) <sup>1.</sup>	1,338,000	4,637,200
Confectionery	1930	2,002	1,636	438	552	786	969,300	14,004,300
	1941	2,431	1,487	432	544	800	729,000	15,249,000
	1951	1,884	1,493	409		(1,495) <sup>1.</sup>	1,418,500	35,248,300
Delicatessen	1930	105	83	26	62	71	99,600	1,363,900
	1941	99	42	13	55	90	104,200	1,566,300
	1951	136	127	31		(265) <sup>1.</sup>	333,000	4,534,200
Milk Dealers	1930	894	951	29	1,698	73	1,949,200	11,340,000
	1941	355	206	9	1,423	138	1,711,100	10,542,400
	1951	47	47	1		(169) <sup>1.</sup>	347,600	2,417,800
Dairy Products	1930	68	59	10	98	13	118,900	2,121,100
	1941	114	63	6	573	71	862,900	4,787,400
	1951	109	102	7		(409) <sup>1.</sup>	679,000	4,845,900
Egg and Poultry	1930	96	96	6	26	4	25,000	711,800
	1941	94	61	8	40	4	31,400	929,900
	1951	55	68	4		(55) <sup>1.</sup>	81,400	2,972,700





TABLE IV (CONT'D)

Kind of Business	Year	No. of Stores	Proprietors		Full Time Employees		Wages and Salaries	Net Sales
			Male	Female	Male	Female		
Meat Markets	1930	2,262*	2,307	55	3,386	304	3,393,000	51,025,900
	1941	1,416	758	16	2,091	174	1,938,200	31,327,100
	1951	967	1,057	19	(1,896) <sup>1</sup> .		3,438,900	68,920,400
Fish Markets	1930	148	149	6	134	26	130,900	1,742,000
	1941	102	46	10	88	21	84,400	1,297,300
	1951	55	43	7	(86) <sup>1</sup> .		152,600	2,165,600
Fruit and Vegetables	1930	876	895	47	449	178	432,000	10,255,000
	1941	716	472	67	438	165	426,300	11,992,100
	1951	385	467	43	(505) <sup>1</sup> .		607,900	16,178,800
Grocery Stores (Without Fresh Meat)	1930	5,594	4,406	773	3,301	1,702	4,240,200	98,562,300
	1941	5,714	3,212	775	2,716	1,651	3,202,100	68,611,500
	1951	4,104	3,598	657	(3,973) <sup>1</sup> .		4,727,200	148,530,100
Confectionery	1930	1,391	1,097	77	2,946	557	3,785,500	55,499,100
	1941	2,484	1,027	112	5,692	2,094	7,378,200	142,049,400
	1951	4,765	4,416	439	(13,235) <sup>1</sup> .		30,176,800	580,100,400
Food Stores with Non- Food Departments	1930	42	70	2	30	2	19,000	539,000
	1941	10	15	-	11	-	7,500	114,500
	1951	4	4	-	(6)		12,900	151,900
Other Food	1930	-	-	-	-	-	-	-
	1941	15	13	1	2	-	2,000	45,500
	1951	9	7	3	(8) <sup>1</sup> .		17,400	222,000

\*Meat Markets and Meat Markets with Groceries.



TABLE IV (CONT'D)

Kind of Business	Year	No. of Stores	Proprietors		Full Time Employees		Net Sales
			Male	Female	Male	Female	
Coffee, Tea and Spice	1930	75	70	5	186	48	1,729,500
	1941	27	8	2	22	5	365,600
	1951	6	4	1	(8) <sup>1</sup>	(8) <sup>1</sup>	107,700
Bakeries & Bakery Products	1930	506	390	84	597	360	5,022,110
	1941	293	113	27	298	386	3,509,900
	1951	376	234	38	(1,053) <sup>1</sup>	(1,053) <sup>1</sup>	10,426,700

SOURCE: Census of Canada, 1931, 1941, 1951.

- (1) Census figures in 1951 gave a breakdown on maximum and minimum number of employees in each category. The figure used in this table is the minimum number of employees in each group.



A - 10

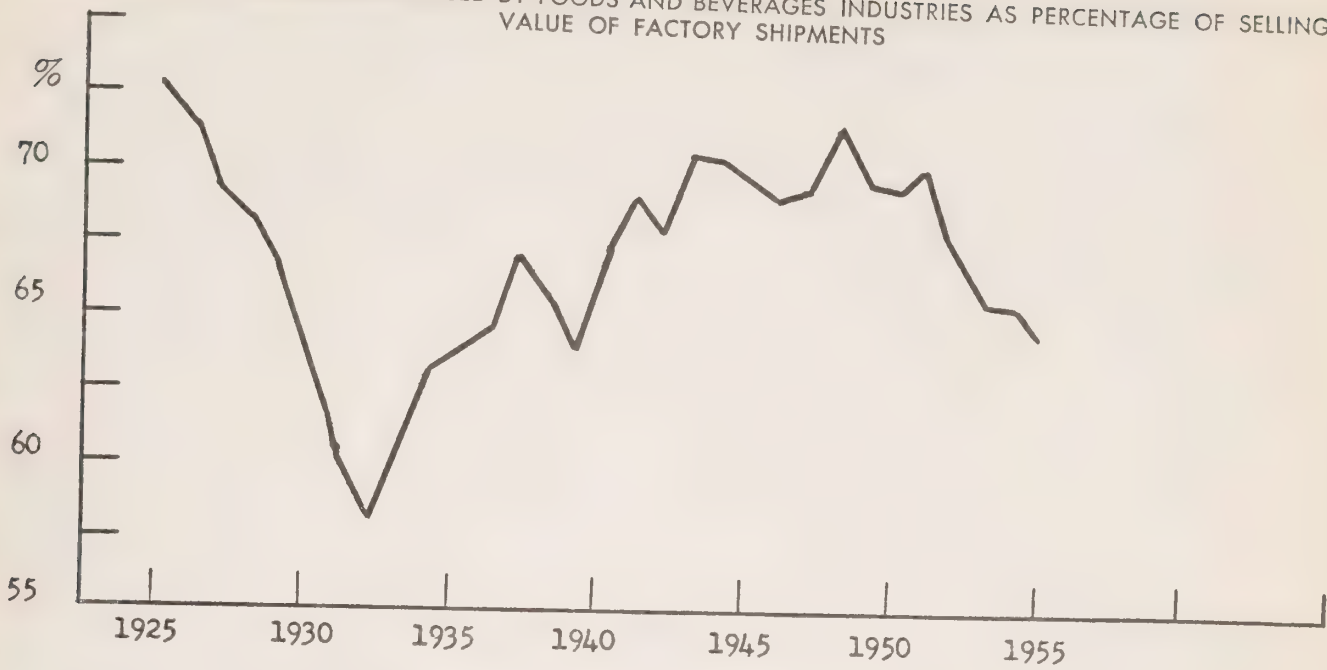
APPENDIX IV

Statistics Pertaining to Price Spreads for  
Foods and Beverages in Ontario and Canada



GRAPH 1

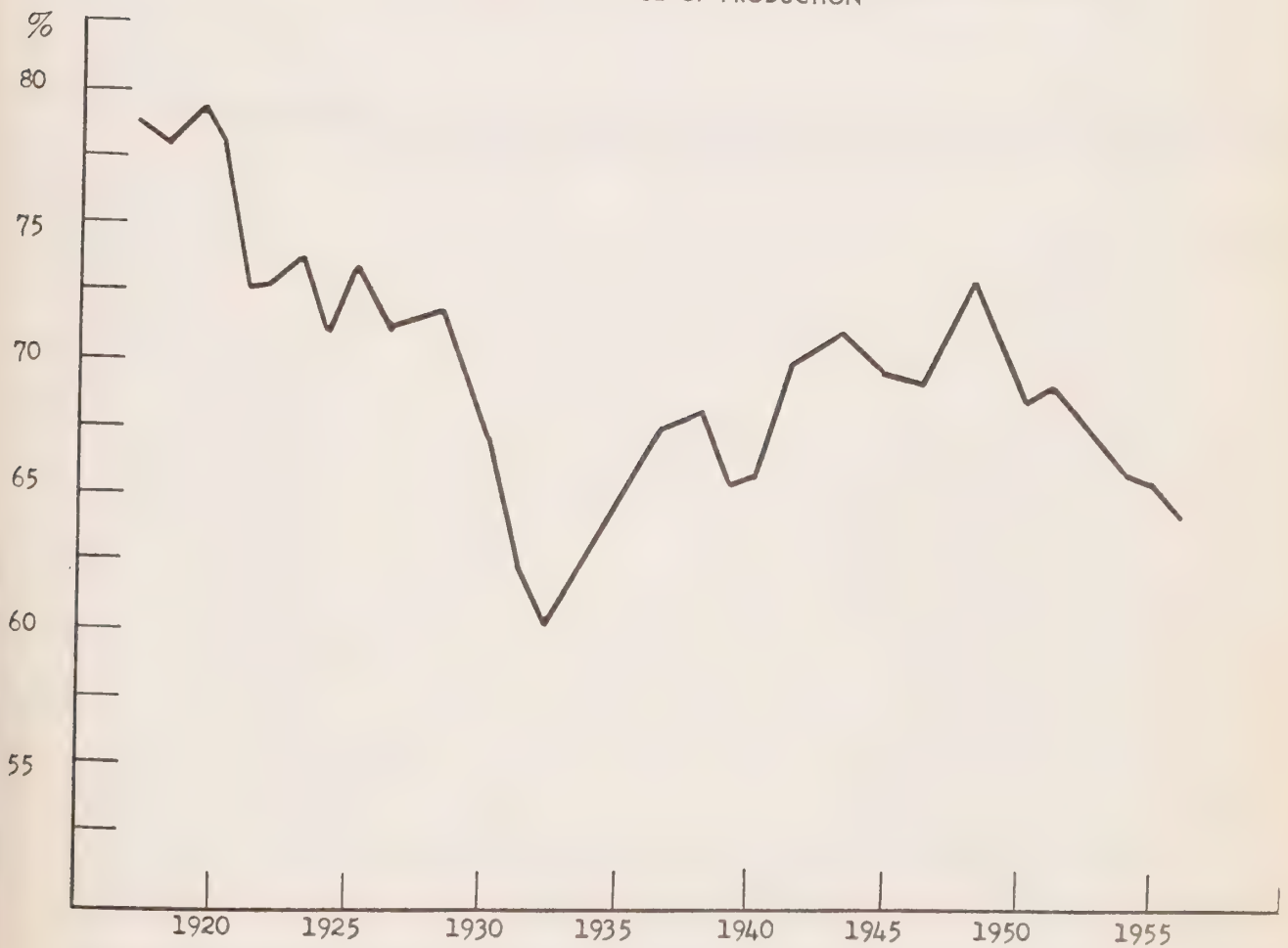
COST AT PLANT OF MATERIALS USED BY FOODS AND BEVERAGES INDUSTRIES AS PERCENTAGE OF SELLING VALUE OF FACTORY SHIPMENTS



Source: Foods and Beverages, General Review, D.B.S.

GRAPH 2

AMOUNT PAID PATRONS BY CREAMERIES, CHEESE FACTORIES, CONCENTRATED MILK PLANTS, AS PERCENTAGE OF VALUE OF PRODUCTION



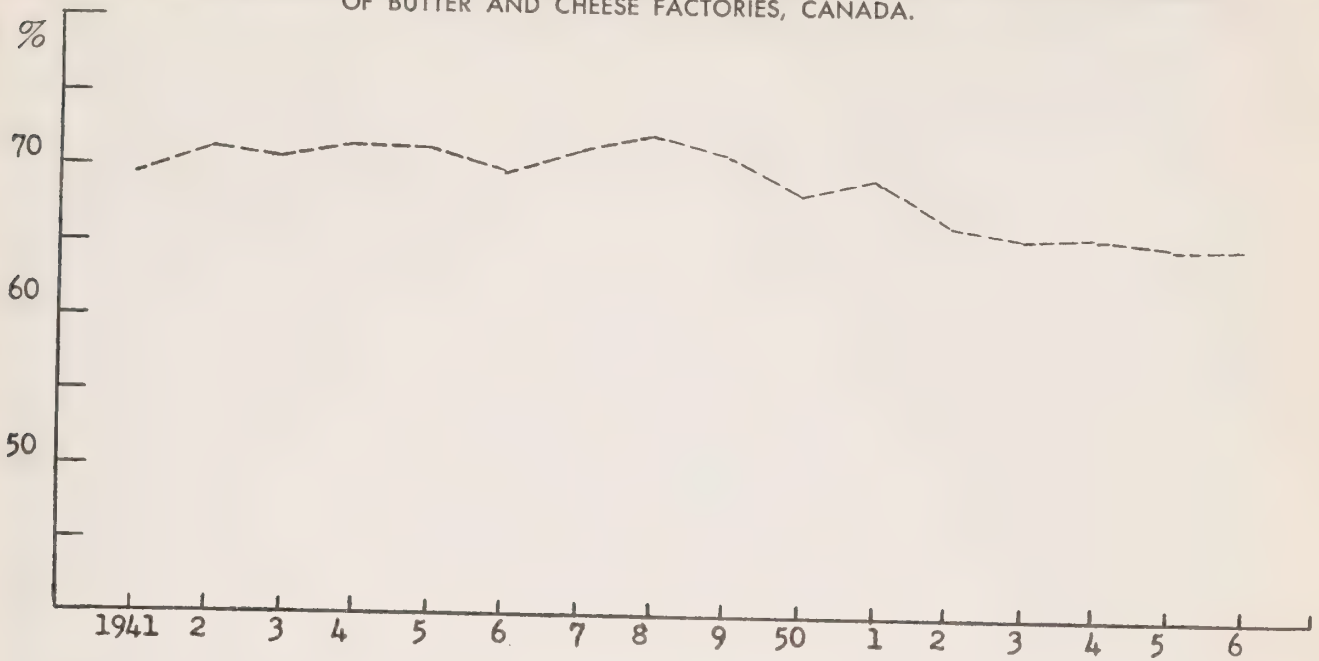
Source: Dairy Products Industries, D.B.S.





GRAPH 3

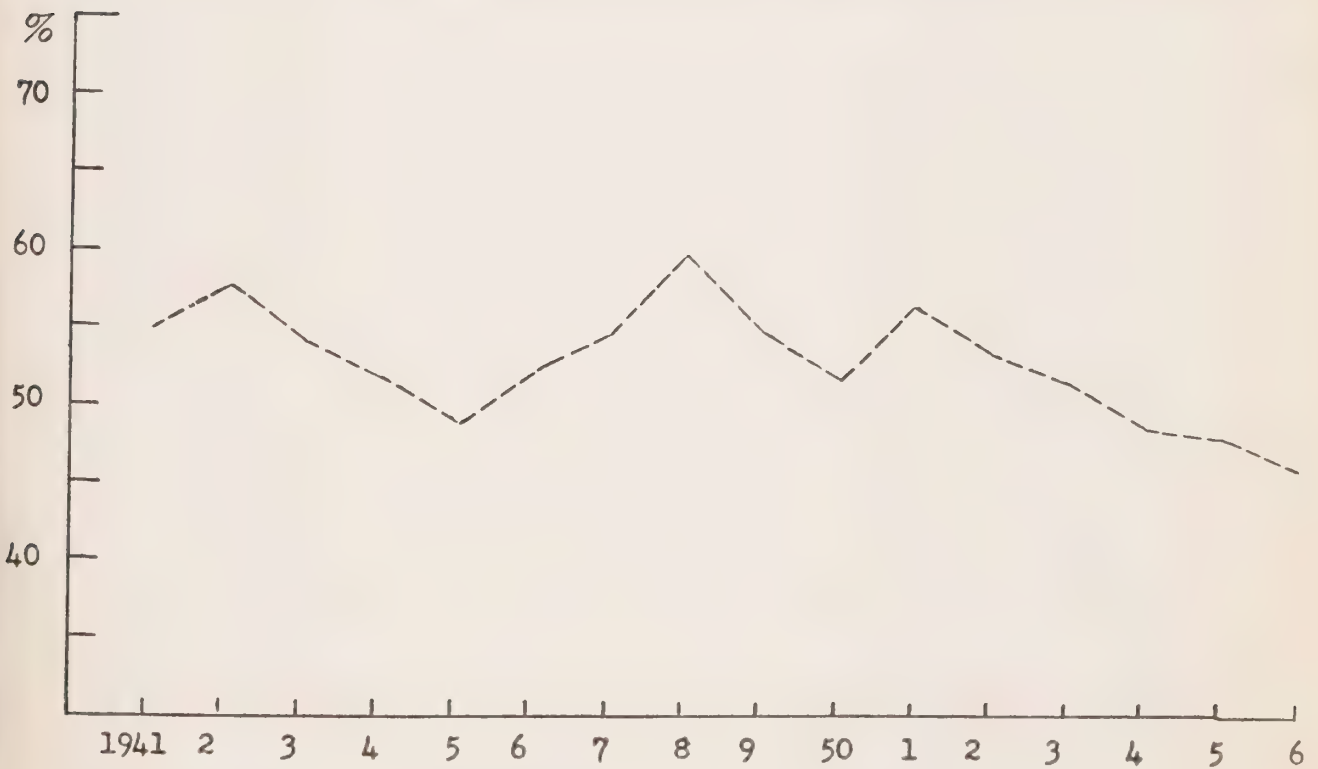
AMOUNT PAID FOR MILK AND CREAM AS PERCENTAGE OF SELLING VALUE OF FACTORY SHIPMENTS  
OF BUTTER AND CHEESE FACTORIES, CANADA.



Source: Dairy Products Industries, D.B.S.

GRAPH 4

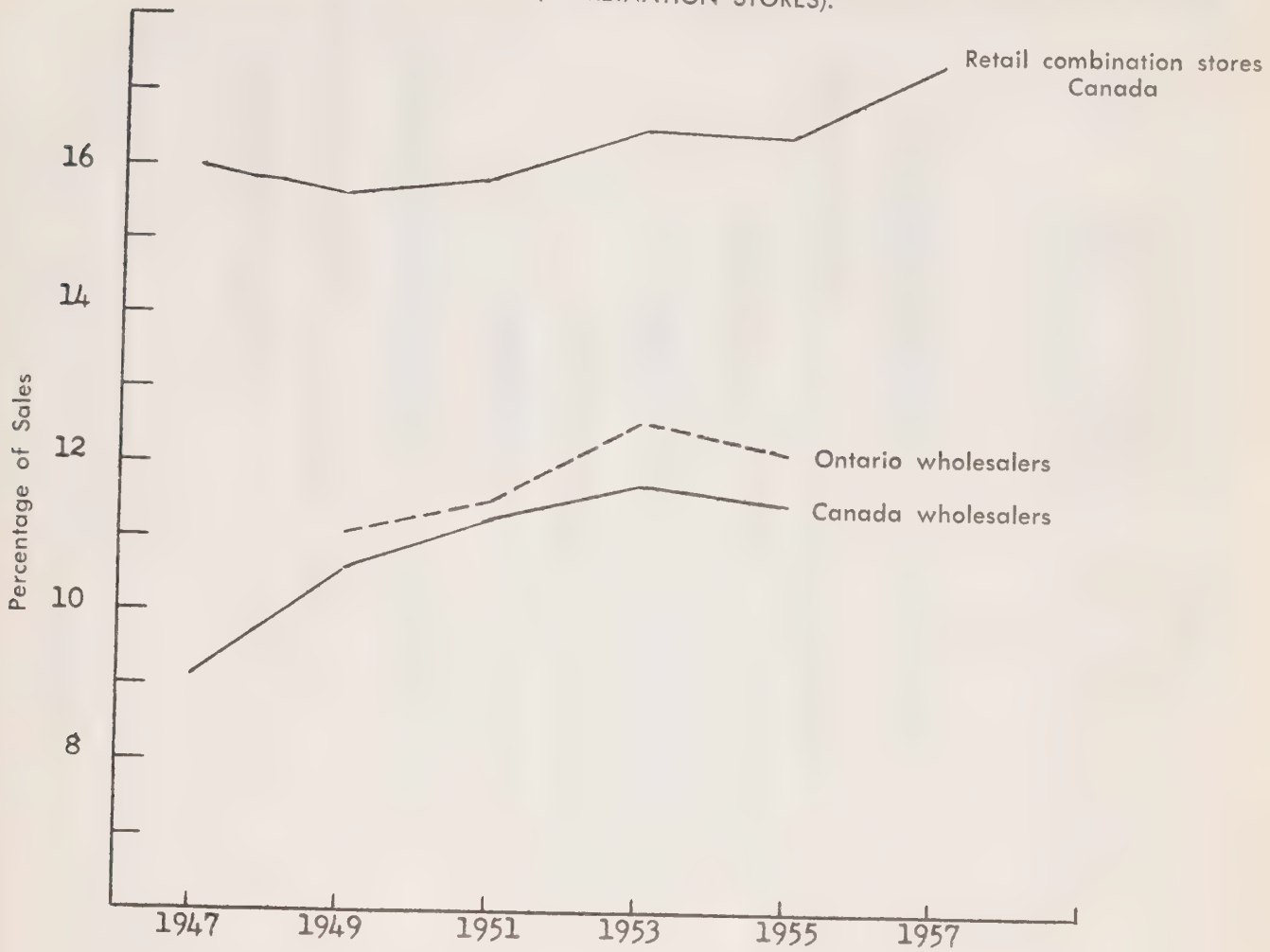
AMOUNT PAID FOR MILK AND CREAM AS PERCENTAGE OF SELLING VALUE OF FACTORY SHIPMENTS  
OF CONCENTRATED MILK FACTORIES, ONTARIO.



Source: Dairy Products Industries, D.B.S.



GRAPH 5  
GROSS MARGIN OF FRUIT AND VEGETABLE WHOLESALERS AND OF RETAIL FOOD CHAINS  
(COMBINATION STORES).



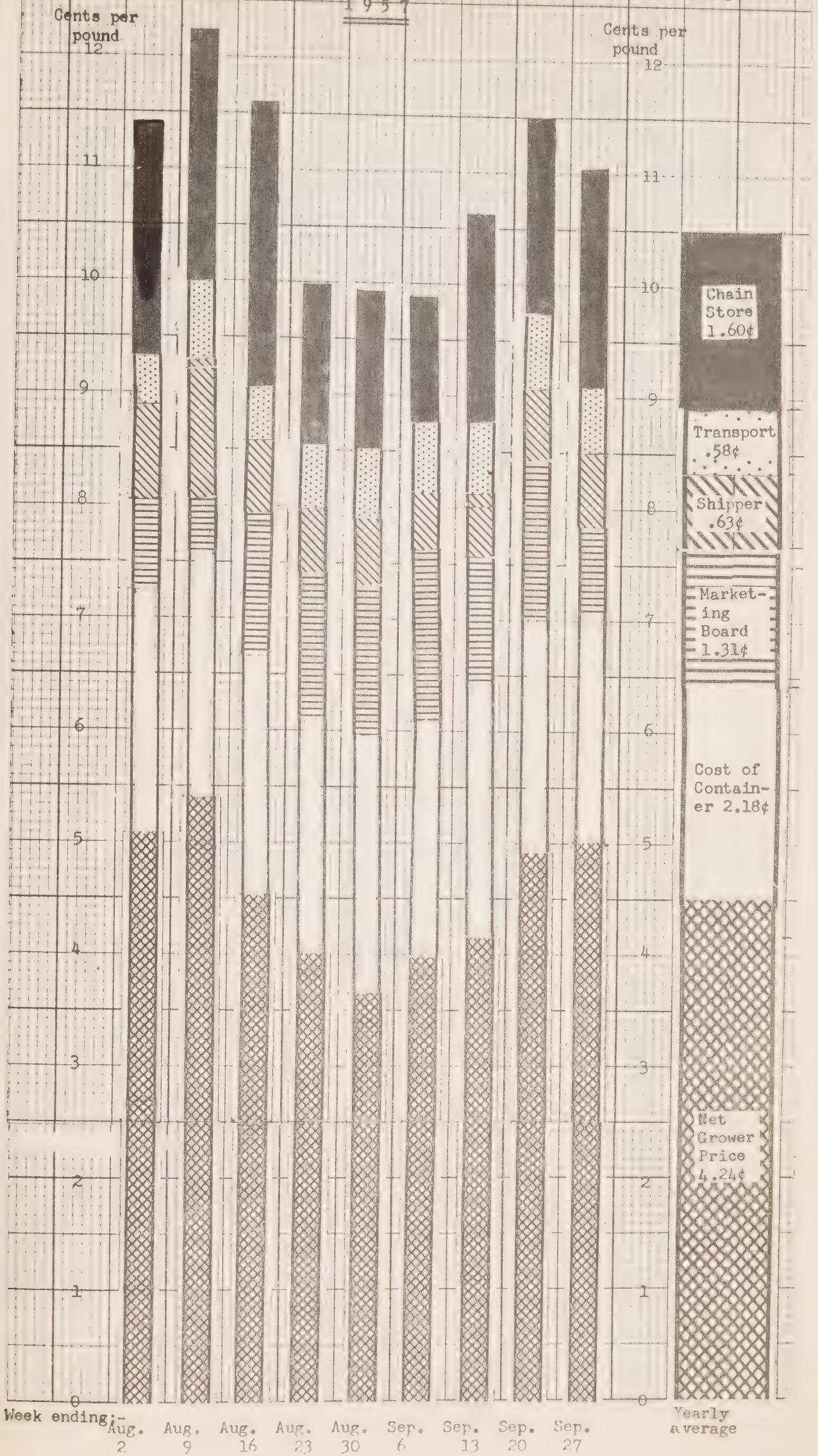
Sources: Operating Results of Food Wholesalers, D.B.S.  
Operating Results of Chain Food Stores, D.B.S.





Graph 6

WEEKLY PRICES FOR ONTARIO PEACHES  
Shipped to Toronto Chain Stores  
1957







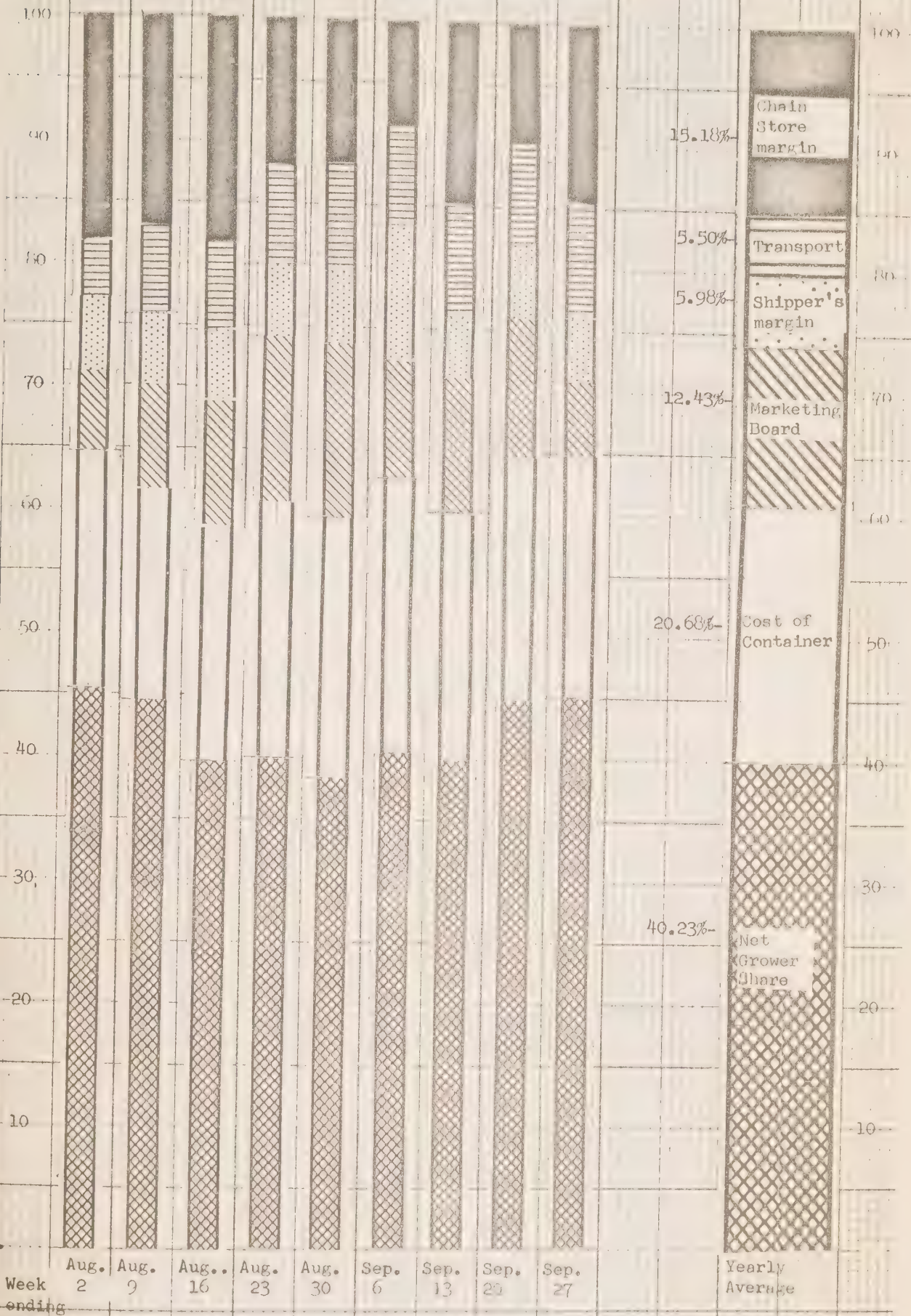
Graph 7

A-15

MARKETING COSTS AND GROWER SHARE OF CONSUMER DOLLAR  
 Niagara Fresh Peaches sold in Toronto Chain Stores, 1957

Per cent

Per cent







WEEKLY PRICES FOR ONTARIO FRESH PEACHES SHIPPED TO TORONTO CHAIN STORES, 1957

Week Ending	Farm Net Price	Container Cost	Farm Gross Price	Marketing Board Margin	Shipper Margin	F.O.B. Price	Cost	F.O.D. Price	Chain Stores	Retail Price	Chain Stores
Aug. 2	5.17	2.18	7.35	.84	.66	8.85	.53	9.38	2.06	11.44	
Aug. 9	5.47	2.18	7.65	1.02	.70	9.37	.63	10.00	2.31	12.31	
Aug. 16	4.58	2.18	6.76	1.23	.65	8.64	.54	9.18	2.45	11.63	
Aug. 23	4.01	2.18	6.19	1.23	.60	8.02	.56	8.58	1.45	10.03	
Aug. 30	3.78	2.18	5.96	1.40	.60	7.96	.57	8.53	1.44	9.97	
Sept. 6	3.99	2.18	6.17	1.50	.62	8.29	.62	8.91	1.00	9.91	
Sept. 13	4.28	2.18	6.46	1.20	.62	8.28	.59	8.87	1.90	10.77	
Sept. 20	4.90	2.18	7.08	1.38	.68	9.14	.59	9.73	1.32	11.05	
Sept. 27	5.00	2.18	7.18	.70	.64	8.52	.58	9.10	2.02	11.12	
YEARLY AVERAGE	4.24	2.18	6.42	1.31	.63	8.36	.58	8.94	1.60	10.54	

- ¢ per Pound -

SHARE OF CONSUMERS' DOLLAR OF THE VARIOUS COMPONENTS

	- Per Cent -	
Aug. 2	7.34	4.61
Aug. 9	8.27	5.12
Aug. 16	10.58	4.64
Aug. 23	12.26	5.58
Aug. 30	14.04	5.73
Sept. 6	15.12	6.26
Sept. 13	11.14	5.48
Sept. 20	12.49	5.34
Sept. 27	6.29	5.22
YEARLY AVERAGE	12.43	5.50

Farm Economics and Statistics Branch,  
Ontario Dept. Agriculture,  
Toronto, Sept. 1958

Source: Farm Prices, Container Cost,  
Marketing Board Charges,  
Shipper Margin and Transportation  
Charges, obtained from Ontario  
Fresh Peach Co-operative, Vineland  
Chain Store Prices--several  
Toronto Chains



FARM, WHOLESALE AND RETAIL PRICES FOR FRUIT,  
VEGETABLE AND DAIRY PRODUCTS, ONTARIO, 1957 - 58

A record of some of the prices collected by the Farm Economics and Statistics Branch, of the Ontario Department of Agriculture; the Retail Price Section of the Dominion Bureau of Statistics; and the Canada Department of Agriculture 1957 and 1958.

These prices are a series of prices and give only approximate margins. Retail prices represent prices in Toronto Chains as collected by D. B. S. and Farm Economics and Statistics Board. Wholesale prices, depending on commodity, represents prices in Toronto or at various country points as reported by Canada Dept. of Agriculture. Farm prices, depending on commodity, represents prices as reported by producers, fruit and vegetable inspectors, co-operatives and other handlers.



TABLE VI

## ONTARIO APPLES - FANCY MCINTOSH - 1957

Date	1	2	3	4	5	6	% of Retail Prices Received by			8
							A	B	C	
Week of ...										
Sept.	2									
	9	62.0	68							
	16	60.0	70							
	23	53.4	65							
	30	51.4	60							
			62							
Oct.	7	50.1								
	14	52.1	62							
	21	50.1	60							
	28	51.4	64							
Nov.	4	51.4	62							
	11	53.3	62							
	18	53.4	62							
	25	53.3	62							
Dec.	2	55.4								
	9	55.4	62							
	16	53.3	62							
	23	53.3	62							
30	53.3	62								



Date	Per Cent of Consumer's Dollar Rec'd by:															
	Average Farm Price		Average Wholesale Price		Average Retail Price of Chain Stores		Wholesale Price Spread		Retail Price Spread		Farmer A		Wholesale B		Retail C	
per cent -																
June 9	30.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	27.75	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	26.40	29.60	50.20	3.20	20.60	52.59	6.37	41.04								
12	27.35	29.60	50.20	2.25	20.60	54.48	4.48	41.04								
13	27.00	27.80	47.00	0.80	19.20	54.45	1.70	40.85								
14	25.00	27.80	47.00	2.80	19.20	53.19	5.96	40.85								
16	23.75	30.60	45.50	6.85	14.90	52.20	15.05	32.75								
17	22.55	28.70	37.50	6.15	8.80	60.13	16.40	23.47								
18	22.50	27.20	36.50	4.70	9.30	61.64	12.88	25.48								
19	24.95	27.20	37.50	2.25	10.30	66.53	6.00	27.47								
20	25.50	27.20	36.50	1.70	9.30	69.86	4.66	25.48								
21	24.00	27.20	39.00	3.20	11.80	61.54	8.21	30.25								
23	24.60	27.30	36.50	2.70	9.20	67.40	7.40	25.20								
24	23.45	25.00	34.50	1.55	9.50	67.97	4.49	27.54								
25	25.60	27.80	36.50	2.20	8.70	70.14	6.03	23.83								
26	28.75	29.60	36.00	0.85	6.40	79.86	2.36	17.78								
27	27.65	32.40	39.50	4.75	7.10	70.00	12.03	17.97								
28	26.00	30.90	38.00	4.90	7.10	68.43	12.89	18.68								
30	27.55	27.80	38.00	0.25	10.20	72.50	0.66	26.84								
July 2	27.00	27.80	39.00	0.80	11.20	69.23	2.05	28.72								
3	27.00	27.80	39.00	0.80	11.20	69.23	2.05	28.72								
4	28.10	34.30	40.50	6.20	6.20	69.38	15.31	15.31								
5	28.7	31.50	40.50	5.60	6.20	70.86	13.83	15.31								
7	26.90	27.80	39.00	4.60	7.50	68.98	11.79	19.23								
8	26.05	27.80	35.70	1.75	7.90	72.97	4.90	22.13								
9	23.60	28.70	34.00	4.20	6.20	69.41	12.35	18.24								
10	26.05	28.70	34.00	2.65	5.30	76.62	7.79	15.59								
11	26.50	28.70	34.00	2.20	5.30	77.94	6.47	15.59								
12	28.40	28.70	34.00	2.20	5.30											
14	26.85	28.70	34.00	2.20	5.30											
15	23.80	28.70	34.00	2.20	5.30											
16	24.90	35.70	34.00	2.20	5.30											

Sources:

Farm Price: 12 Farmers, 1 Co-Op, 1 Commission House, 1 Fruit Inspector

Wholesale Price: Wholesale Terminal Toronto

Retail Price: Farm Economics and Statistics Branch, Ontario Dept. Agriculture, Toronto





## STRAWBERRIES, COMPARISON OF PRICES, FOUR FARMERS AND FOUR STORES, ONTARIO - 1958

Date	Farmer's Price		Store Price		Retail Spread		Farmer's % of		Retail % of	
	per quart	per quart	per quart	per quart	per quart	per quart	Consumer's Dollar	Consumer's Dollar	Consumer's Dollar	Consumer's Dollar
Farmer 1										
June 16	23		49		26		46.9		53.1	
17	23		39		16		59.0		41.0	
18	23		39		16		59.0		41.0	
19	24		39		15		61.5		38.5	
20	24		39		15		61.5		38.5	
21	24		39		15		61.5		38.5	
23	24		39		15		61.5		38.5	
24	24		35		11		68.6		31.4	
25	26		35		9		74.3		25.7	
Farmer 2										
June 9	30		-		-		-		-	
12	28		53		25		52.8		47.2	
16	24		49		25		49.0		51.0	
19	25		39		14		64.1		35.9	
23	25		35		10		71.4		28.6	
24	25		35		10		71.4		28.6	
25	26		39		13		66.7		33.3	
Farmer 3										
June 9	35		-		-		-		-	
11	27		49		22		55.1		44.9	
13	27		39		12		69.2		30.8	
16	23		39		16		59.0		41.0	
17	23		39		16		59.0		41.0	
18	23		39		16		59.0		41.0	
19	24		39		15		61.5		38.5	
20	25		39		14		64.1		35.9	



## STRAWBERRIES, COMPARISON OF PRICES (Cont'd) ONTARIO ) (page 2)

Date	Price per quart	Store Price per quart	Retail Spread per quart	Farmer's % of Consumer's Dollar	Retail % of Consumer's Dollar
	Farmer 4	Store 4			
June 11	27				
12	27				
13	27				
14	25				
16	23	45	22	51.1	48.9
18	23	29	6	79.3	20.7
20	24	33	9	72.7	27.3
23	24	33	9	72.7	27.3
24	24	29	5	32.8	17.2
25	25	33	8	75.9	24.2
26	26	33	7	78.9	21.2
27	26	35	9	74.3	25.7

NOTE: Stores 1, 2 and 4 - No Wholesale- Direct from individual farmer to a retail store.  
Store 3 .. Bought through Wholesale



POTATOES, ONTARIO - #1 TABLE  
1957

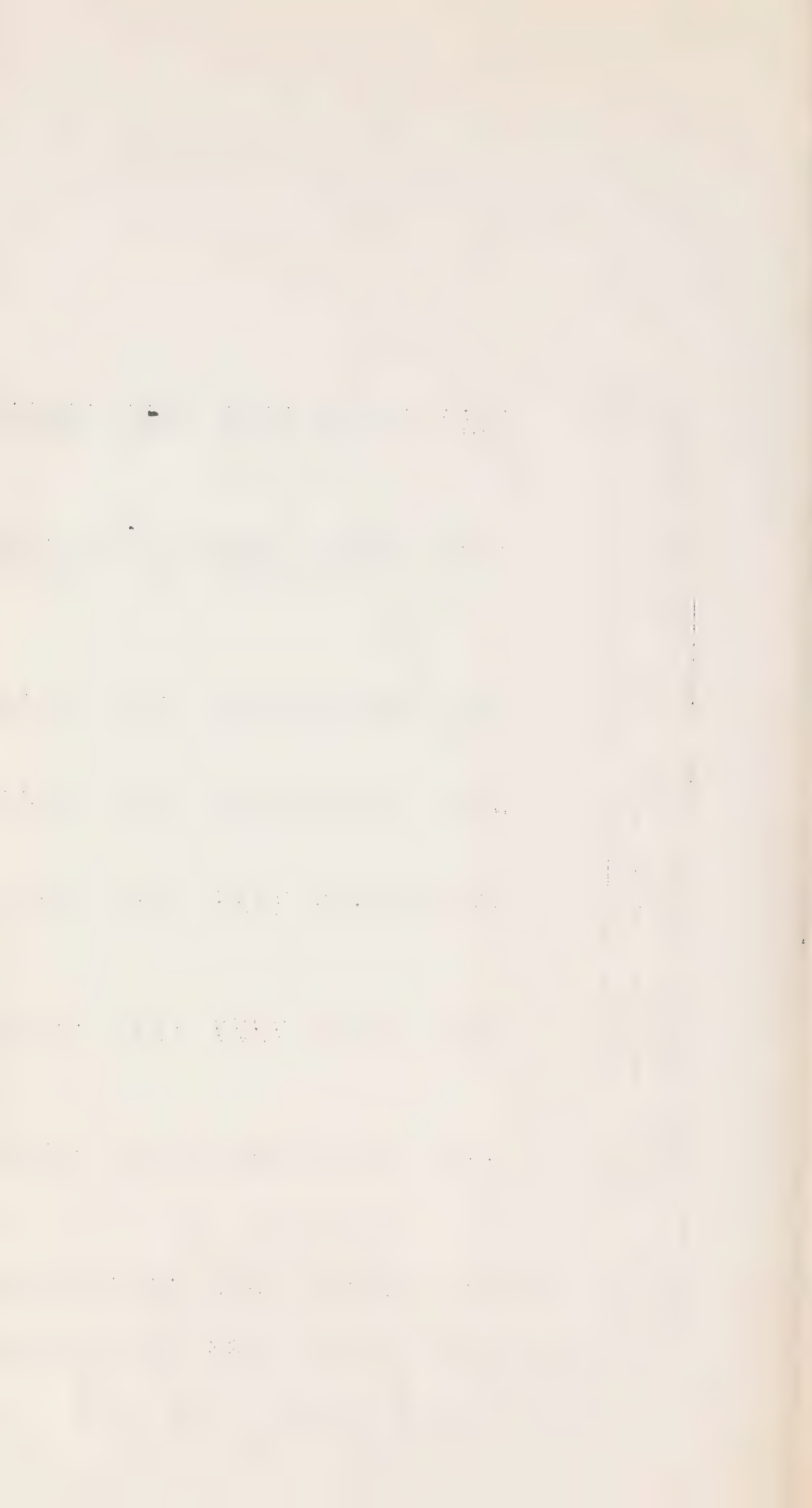
Date	1 Average Farm Price per lb.	2 Average Wholesale Price per lb.	3 Average Chain Store Retail Price per lb.	4 Wholesale Spread per lb.	5 Retail Spread per lb.	6 % of Retail Prices Received by			8 Retail %
						A Farmer %	B Wholesale %	C	
Week of .....									
July 1	1.6	3.6	4.5	2.0	.9	35.6	44.4		20.0
8	2.1	3.4	4.8	1.3	1.4	43.8	27.0		29.2
15	2.4	3.2	4.1	.8	.9	58.5	19.5		22.0
22	1.1	2.5	3.7	1.4	1.2	29.7	37.9		32.4
29	1.2	2.4	3.2	1.2	.8	37.5	37.5		25.0
Aug. 5	1.4	2.4	3.0	1.0	.6	46.7	33.3		20.0
12	1.4	2.4	3.1	1.0	.7	45.2	32.2		22.6
19	1.4	2.4	3.1	1.0	.7	45.2	32.2		22.6
26	1.3	2.4	3.0	1.1	.6	43.3	36.7		20.0
Sept. 2	1.3	2.4	3.0	1.1	.6	43.3	36.7		20.0
9	1.5	2.5	3.2	1.0	.7	46.9	31.2		21.9
16	1.4	2.5	3.3	1.1	.3	42.4	33.4		24.2
23	1.4	2.4	3.1	1.0	.7	45.2	32.2		22.6
30	1.3	2.4	2.9	1.1	.5	44.8	38.0		17.2
Oct. 7	1.3	2.4	3.0	1.1	.6	43.3	36.7		20.0
14	1.4	2.4	3.1	1.0	.7	45.2	32.2		22.6
21	1.1	2.4	3.1	1.3	.7	35.5	41.9		22.6
28	1.1	2.4	3.1	1.3	.7	35.5	41.9		22.6
Nov. 4	1.1	2.4	3.1	1.3	.7	35.5	41.9		22.6
11	1.1	2.4	3.1	1.3	.7	35.5	41.9		22.6
18	1.3	2.4	3.1	1.1					
25	1.3	2.4	3.1	1.1					
Dec. 2	1.3								
9	1.3								



TABLE X

POTATOES - MARSH, ONTARIO  
1957

Date	1 Average Farm Price per lb.	2 Average Wholesale Price per lb.	3 Average Chain Store Retail Price per lb.	4 Wholesale Spread per lb.	5 Retail Spread per lb.	6 % of Retail Prices Received by		7 Wholesale %	8 Retail %
						A Farmer %	B C		
Week of.....									
July 22	2.9								
July 29	1.5								
Aug. 5	2.5	4.4	5.6	1.9	1.2	44.6	34.0		21.4
12	2.0	4.2	5.5	2.2	1.3	36.4	40.0		23.6
19	2.2	4.1	4.8	1.9	.7	45.8	39.6		14.6
26	2.1	4.0	4.6	1.9	.6	45.7	41.3		13.0
Sept. 2	2.1	3.9	5.0	1.8	1.1	42.0	36.0		22.0
9	2.0	3.7	5.0	1.7	1.3	40.0	34.0		26.0
16	2.2	3.7	4.8	1.5	1.2	45.8	31.3		22.9
23	2.0	3.8	5.0	1.8	1.2	40.0	36.0		24.0
30	1.8	3.9	5.0	2.1	1.1	36.0	42.0		22.0
Oct. 7	1.7	3.9	5.1	2.2	1.2	33.3	43.2		23.5
14	1.7	3.9	5.2	2.2	1.3	32.7	42.3		25.0
21	1.3	3.9	5.2	2.6	1.3	25.0	50.0		25.0
28	1.4	3.8	5.2	2.4	1.4	26.9	46.2		26.9
Nov. 4	1.5	3.6	5.1	2.1	1.5	29.4	41.2		29.4
11	1.6	3.6	5.0	2.0	1.4	32.0	40.0		28.0
18	1.8	3.7	5.4	1.9	1.7	33.3	35.2		31.5
25	2.0	4.0	5.2	2.0	1.2	38.5	38.4		23.1
Dec. 2	2.0	4.2	5.2	2.2	1.0	38.5	42.3		19.2
9	2.0	4.2	5.4	2.2	1.2	37.0	40.8		22.2
16	2.0	4.4	5.4	2.4	1.0	37.0	44.5		18.5
23	2.1	4.4	5.4	2.3	1.0	38.9	42.6		18.5
30	2.1	4.4	5.4	2.3	1.0	38.9	42.6		18.5





TURNIPS RUTABAGAS - CANADA #1, ONTARIO  
1957

Date	Week of .....	1	2	3	4	5	6 % of Retail Prices Received by			8
		Average Farm Price per lb.	Average Wholesale Price per lb.	Average Chain Store Retail Price per lb.	Wholesale Price per lb.	Retail Special per lb.	A	B	C	Retail %
July	1									
	8	4.0	5.3							
	15	3.7	5.3							
	22	3.1	3.3							
	29	2.5	3.3							
Aug.	5	1.8	3.3							
	12	2.2	2.3							
	19	1.9	2.1							
	26	1.8	2.0							
Sept.	2	1.6	2.3	6.0		3.7	26.7	11.6		61.7
	9	2.1	2.2	5.7		3.5	36.8	1.8		61.4
	16	1.6	2.2	5.7		3.5	28.1	10.5		61.4
	23	1.7	2.4	5.5		3.1	30.7	12.7		56.4
	30	1.9	2.4	5.8		3.4	32.8	8.6		58.6
Oct.	7	1.4	1.8	5.5		3.7	25.5	7.2		67.3
	14	.9	1.7	5.2		3.5	17.3	15.4		67.3
	21	.9	1.8	5.2		3.4	17.3	17.3		65.4
	28	.9	1.8	5.2		3.4	17.3	17.3		65.4
Nov.	4	1.0	1.8	5.0		3.2	20.0	16.0		64.0
	11	1.1	1.9	5.0		3.1	22.0	16.0		62.0
	18	1.2	1.9	5.0		3.1	24.0	14.0		62.0
	25	1.2	1.9	5.2		3.3	23.1	13.4		63.5
Dec.	2	1.2	1.9	5.2		3.3	23.1	13.4		63.5
	9	1.2	1.9	5.2		3.3	23.1	13.4		63.5
	16	1.2	1.9	5.2		3.3	23.1	13.4		63.5
	23	1.2	1.9	5.2		3.3	23.1	13.4		63.5
	30	1.2	1.9	5.2		3.3	23.1	13.4		63.5



CARROTS - TOPPED #1 - SMALL, ONTARIO  
1957

Date	1 Average FARM PRICE per lb.	2 Average Wholesale Price per lb.	3 Average Chain Store Retail Price per lb.	4 Wholesale Spread per lb.	5 Retail Spread per lb.	6 % of Retail Prices Received by			7 Wholesale % Retail	8 Retail %
						A	Farmer	C		
Week of .....										
July 1			9.7							
8	4.0									
15	4.2									
22	3.5		9.3							
29	3.0		7.5		2.3	37.6			37.7	24.7
Aug. 5	2.9		7.0	3.5	1.2	40.0			44.0	16.0
12	2.0		7.3	3.4	.7	41.4			48.6	10.0
19	2.5		6.7	4.1	1.2	27.4			56.2	16.4
26	2.7		6.7	3.5	.7	37.3			52.3	10.4
Sept. 2	2.5		6.2	2.2	1.8	40.3			32.8	26.9
9	2.2		6.5	2.4	1.3	40.3			38.7	21.0
16	2.2		6.0	2.0	2.3	33.8			30.8	35.4
23	2.3		6.7	2.0	1.8	36.7			33.3	30.0
30	2.3		6.2	2.0	2.4	34.3			29.9	35.8
Oct. 7	2.2		6.2	1.9	2.0	37.1			30.6	32.3
14	2.2		6.2	2.1	1.9	35.5			33.9	30.6
21	2.0		6.0	2.1	1.7	36.7			35.0	28.3
28	2.2		6.2	2.4	1.8	32.3			38.7	29.0
Nov. 4	2.3		6.0	2.8	1.0	36.7			46.6	16.7
11	2.4		6.0	2.8	.9	38.3			46.7	15.0
18	2.7		7.7	2.7	2.6	31.2			35.0	33.8
25	2.7		7.7	2.7	2.3	35.6			34.5	29.9
Dec. 2	3.1		8.0	2.7	2.6	33.8			33.7	32.5
9	3.1		7.8	2.2	2.5	39.7			27.2	32.1
16	3.3		7.3	2.2	2.0	42.5			30.1	27.4
23	3.9		7.3	2.0	2.0	45.2			27.4	27.4
30	4.2		7.5	2.4	1.2	52.0			32.0	16.0
			8.5	2.1	2.2	49.4			24.7	25.9



CELERY #1, ONTARIO  
1957

Date	Week of.....	1	2	3	4	5	6		7	8
		Average Farm Price per bunch	Average Wholesale Price per bunch	Average Chain Store Retail Price per bunch	Wholesale Spread per bunch	Retail Spread per bunch	A	Farmer %	B Wholesale %	C Retail %
July	1	9.0	11.5	20.3	2.5	8.8	44.3		12.4	53.3
	8	7.8	10.4	16.9	2.6	6.5	46.2		18.3	38.5
	15	7.6	8.0	16.1	.4	8.1	47.2		2.5	50.3
	22	3.6	7.3	13.4	3.7	6.1	26.9		27.6	45.5
	29	4.7	5.6	12.0	.9	6.4	39.2		7.5	53.3
Aug.	5	4.8	5.9	10.8	1.1	4.9	44.4		10.2	45.4
	12	4.1	3.8	9.8	.3	6.0	41.8		3.0	58.2 (+3.0)
	19	4.4	3.8	10.0	-	6.2	44.0		-	56.0 (+6.0)
	26	3.2	3.6	9.5	.4	5.9	33.7		4.2	62.1
Sept.	2	3.2	3.8	10.4	.5	6.6	31.7		4.8	63.5
	9	2.6	3.6	10.4	1.0	6.8	25.0		10.6	65.4
	16	3.1	3.6	9.9	.5	6.3	31.3		5.1	63.6
	23	3.1	4.0	9.5	.9	5.5	32.6		9.5	57.9
	30	3.1	3.8	10.0	.7	6.2	31.0		7.0	62.0
Oct.	7	3.1	3.7	10.9	.6	7.2	28.4		5.5	66.1
	14	3.3	3.8	12.6	.5	8.8	26.2		4.0	69.8
	21	3.3	5.9	13.6	2.6	7.7	24.3		19.1	56.6
	28	3.3	6.7	13.5	3.4	6.8	24.4		25.2	50.4
Nov.	4	3.8	6.2	11.5	2.4	5.3	33.0		20.9	46.1
	11	4.2	6.2	12.0	2.0	6.8	32.3		15.4	52.3
	18	4.2	5.9	14.5	1.7	8.6	29.0		11.7	59.3
	25	4.2	6.2		2.0					
Dec.	2		5.9							



TABLE XIV

ONIONS - COOKING #1, ONTARIO  
1957

Date	1 Average Farm Price per lb.	2 Average Wholesale Price per lb.	3 Average Chain Store Retail Price per lb.	4 Wholesale Spread per lb.	5 Retail Spread per lb.	6 % of Retail Prices Received by		8 Retail %
						A Farmer %	B Wholesale %	
Week of .....								
July 1								
8	3.9	5.5	9.7	1.6	4.4	46.4	8.2	45.4
15	4.5	5.3	9.7	.8	5.4	29.9	14.4	55.7
22	2.9	4.3	9.0	1.4	5.3	28.9	14.4	56.7
29	2.6	3.7	7.6	1.1	4.3	38.2	5.2	56.6
Aug. 5	2.9	3.3	7.8	.4	4.8	33.3	5.2	61.5
12	2.6	3.0	7.2	.6	4.4	30.6	8.3	61.1
19	2.2	2.8	7.2	.9	4.2	30.6	12.5	56.9
26	2.2	3.1	6.8	.6	4.2	29.4	8.8	61.8
Sept. 2	2.0	2.6	6.3	.8	3.6	30.2	12.7	57.1
9	1.9	2.7	6.3	1.1	3.7	23.8	17.5	58.7
16	1.5	2.6	6.3	.8	3.9	25.4	12.7	61.9
23	1.6	2.4	6.3	.8	3.9	25.4	12.7	61.9
30	1.6	2.4	6.3	.8	3.6	26.7	13.3	60.0
Oct. 7	1.6	2.4	6.0	.8	3.2	28.6	14.3	57.1
14	1.6	2.4	5.6	.8	3.6	23.3	16.7	60.0
21	1.4	2.4	6.0	1.0	3.6	25.0	15.0	60.0
28	1.5	2.4	6.0	.9	3.6	26.7	15.0	58.3
Nov. 4	1.6	2.5	6.0	.9	3.5	30.0	11.7	58.3
11	1.8	2.5	6.0	.7	3.5	31.7	11.2	57.1
18	2.0	2.7	6.3	.7	3.6	31.7	11.2	57.1
25	2.0	2.7	6.3	.7	3.6	36.5	6.4	57.1
Dec. 2	2.3	2.7	6.3	.4	3.4	34.9	11.1	54.0
9	2.2	2.9	6.3	.7	3.6	34.9	8.0	57.1
16	2.2	2.7	6.3	.5	3.6	34.9	8.0	57.1
23	2.2	2.7	6.3	.5	3.6	34.9	9.6	57.1
30	2.1	2.7	6.3	.6	3.6	33.3		





STAKE TOMATOES - ONTARIO 1958 1/

Stake Tomatoes Bought From a Farmer in 6 qt. Baskets	Costs of Wholesale and Cartage Combined 10¢ a 6 qt. Basket	6 Quart Basket	1 Quart Box	Wholesale			A Retail Spread per 6 Qt. Basket	B Retail Spread per 6 Qt. Basket Sold in 1 qt. Boxes at 1 lb. Lots	Stores C		
				A	B	C			A	B	
Aug. 4	80¢	10¢	--	29	35	--	10	1.67	1	69	2.00 2.60
Aug. 5	80	10	39	25	29	25	10	1.67	1	69	1.44 2.00 1.60
Aug. 6	75	10	39	23	23	23	10	1.67	1	74	1.49 1.45 1.45
Aug. 7	90	10	39	23	23	23	10	1.67	1	59	1.34 1.30 1.30
Aug. 8	90	10	33	23	23	23	10	1.67	1	59	1.34 1.30 1.30
Aug. 9	---	---	33	23	--	--	--	--	--	---	---

1/ To illustrate changes in margins when farmers sell in standard units, and the standard unit is changed into selling units at the retail level.

Source of Information:

Farm Prices - Farmer  
Retail Prices - Farm Economics and Statistics Branch,  
Statistics Section,  
Ontario Department of Agriculture.

6 qt. Baskets - 10 lb. Marketing Service, Economics Division, Dominion Department of Agriculture.

Prepared by:  
Farm Economics & Statistics Branch,  
Ont. Department of Agriculture,  
Toronto, September 1958.



Table XVI

BEANS, BEETS AND LETTUCE, ONTARIO  
1958

Date	Farmers Price per. lb.	Store Price per. lb.	Retail Spread per. lb.	Farmers % Of Consumers Dollar	Retail Store % Of Consumers Dollar
<u>Green Beans</u>					
July 23	6.8	9.5	2.7	71.6	28.4
July 30	6.4	12.5	6.1	51.2	48.8
Aug 5	6.8	9.5	2.7	71.6	28.4
Aug 6	7.7	9.5	1.8	81.1	18.9
Aug 7	7.7	12.5	4.8	61.6	38.4
Aug 11	7.7	14.5	6.8	53.1	46.9
Aug 12	6.8	14.5	7.7	46.9	53.1
Aug 14	6.8	14.5	7.7	46.9	53.1
<u>Beets Bunched</u>					
July 15	Per Bunch \$ 3.75	Per Bunch \$ 7.67	Per Bunch \$ 3.92	Per Bunch \$ 48.9	Per Bunch \$ 51.1
July 16	3.75	7.67	3.92	48.9	51.1
July 22	3.75	7.67	3.92	48.9	51.1
July 23	4.17	7.67	3.50	54.4	45.6
<u>Lettuce</u>					
July 10	Per Head \$ 3.19	Per Head \$ 15.00	Per Head \$ 11.81	Per Head \$ 21.3	Per Head \$ 78.7

NOTE:

No Wholesale - Direct From Individual Farmer To A Retail Store



## BRADFORD MARSH LETTUCE - ONTARIO - 1958

Date	1	2	3	TABLE 17		5	6	7	8
	Average	Average	Average	Wholesale	Retail		% of Retail Prices Rec'd By		
	Farm Price per Head	Wholesale Price per Head	Chain Store Retail Price per Head	Spread per Head	Spread per Head	Farmer	Wholesale	Retail	
June 26	8.35	13.5	16.25	5.15	2.75	51.38	31.69		16.93
27	7.10	11.0	16.25	3.90	5.25	43.69	24.00		32.31
28	7.10	11.0	17.10	3.90	6.10	41.52	22.81		35.67
30	5.64	9.4	17.40	3.76	8.00	32.41	21.61		45.98
July 1	5.64	-----	-----	-----	-----	-----	-----	-----	-----
2	5.85	8.9	15.40	3.05	6.50	37.99	19.81		42.20
3	4.51	8.0	15.10	3.49	7.10	29.87	23.11		47.02
4	4.51	8.0	15.90	3.49	7.90	28.36	21.95		49.69
5	4.38	6.9	15.90	2.52	9.00	27.55	15.85		56.60
7	4.18	6.8	14.20	2.62	7.40	29.44	18.45		52.11
8	4.09	5.9	13.05	1.81	7.15	31.34	13.87		54.79
9	3.84	5.7	13.30	1.86	7.60	28.87	13.98		57.15
10	3.84	5.4	12.90	1.56	7.50	29.77	12.09		58.14
11	3.84	5.4	12.50	1.56	7.10	30.72	12.48		56.80
12	3.84	5.4	12.50	1.56	7.10	30.72	12.48		56.80
14	4.09	5.0	13.25	0.91	8.25	30.87	6.87		62.26
15	4.09	5.0	13.40	0.91	8.40	30.52	6.79		62.69
16	4.09	5.0	13.15	0.91	8.15	31.10	6.92		61.96
17	4.09	6.0	13.15	1.91	7.15	31.10	14.53		54.37
18	4.30	6.0	13.40	1.70	7.40	32.09	12.69		55.22
19	3.97	6.0	13.40	2.03	7.40	29.63	15.15		53.32
21	4.09	6.0	12.75	1.91	6.75	32.08	14.98		52.94
22	3.84	5.0	12.50	1.16	7.50	30.72	9.28		60.00
23	3.67	5.7	12.50	2.03	6.80	29.36	16.24		54.40
24	3.84	4.7	12.25	0.86	7.55	31.35	7.02		61.63
25	3.84	4.7	12.50	0.86	7.80	30.72	6.88		62.40
26	3.78	4.7	12.75	0.92	8.05	29.65	7.22		63.13
28	3.88	5.7	12.25	1.82	6.55	31.67	14.86		53.47
29	3.88	5.5	12.25	1.62	6.75	31.67	13.22		55.11
30	3.88	6.0	12.25	2.12	6.25	31.36	17.62		51.02
31	3.88	5.7	11.00	1.82	5.30	35.27	16.55		48.16
Aug. 1	3.88	5.7	11.00	1.82	5.30	35.27	16.55		48.16
2	3.67	5.3	13.00	1.63	7.70	28.23	12.54		59.23
4	4.09	4.9	-----	0.81	-----	-----	-----	-----	-----
5	4.09	4.9	12.25	0.81	7.35	33.39	6.61		60.00
6	4.09	5.4	12.25	1.31	6.85	33.39	10.69		55.92
7	4.09	4.7	12.25	0.61	7.55	33.39	4.98		61.63
8	4.09	4.7	12.00	0.61	7.30	34.08	5.09		60.83
9	3.97	4.7	-----	0.73	-----	-----	-----	-----	-----
11	3.84	4.7	12.10	0.86	7.40	31.73	7.10		61.17
12	3.84	4.7	12.10	0.86	7.40	31.73	7.10		61.17
13	3.84	4.7	12.10	0.86	7.40	31.73	7.10		61.17
14	3.84	4.7	11.25	0.86	6.55	34.13	7.65		53.22
15	3.84	4.7	11.25	0.86	6.55	34.13	7.65		53.22
16	3.84	4.7	-----	0.86	-----	-----	-----	-----	-----
18	4.09	4.7	12.00	0.61	7.30	34.08	5.09		60.83
19	4.09	4.7	12.00	0.61	7.30	34.08	5.09		60.83
20	4.09	4.7	12.00	0.61	7.30	34.08	5.09		60.83
21	4.09	5.7	12.00	1.61	6.30	34.08	13.42		52.53
22	4.59	5.9	12.00	1.31	6.10	38.25	10.92		50.83
23	4.59	5.9	12.00	1.31	6.10	38.25	10.92		50.83

Farm Economics & Statistics Branch,  
Ontario Department of Agriculture,  
Toronto, Ontario, August, 1958.



TABLE XVIII

## BUTTER - ONTARIO - 1957

Date	Week of	Average Farm Price per lb. at Creamery	Average Wholesale Price per lb.	Average Chain Store Retail Price per lb.	Wholesale Spread per lb.	Retail Spread per lb.	% of Retail Prices Received by		
							Farmer %	Wholesale %	Retail %
July 1	1	47.2	57.9	64.0	10.7	6.1	73.8	16.7	9.5
8	8	47.2	58.5	64.0	11.3	5.5	73.8	17.6	8.6
15	15	48.4	59.0	64.5	10.6	5.5	75.0	16.5	8.5
22	22	48.4	59.8	64.8	11.4	5.0	74.7	17.6	7.7
29	29	49.2	60.2	65.2	11.0	5.0	75.5	16.8	7.7
Aug. 5	5	49.2	60.5	65.5	11.3	5.0	75.1	17.3	7.6
12	12	50.0	62.4	66.0	12.4	3.6	75.8	18.7	5.5
19	19	51.6	61.8	66.2	10.2	4.4	77.8	15.5	6.6
26	26	51.6	61.8	67.0	10.2	5.2	77.0	15.2	7.8
Sept. 2	2	51.6	62.0	67.5	11.4	5.5	76.4	15.5	8.1
9	9	52.4	62.0	68.0	9.6	6.0	77.1	14.1	8.8
16	16	52.4	62.0	68.0	9.6	6.0	77.1	14.1	8.5
23	23	52.4	62.0	68.0	9.6	6.0	77.1	14.1	8.5
30	30	52.4	61.7	68.0	9.3	6.3	77.1	13.6	9.3
Oct. 7	7	52.4	61.7	68.1	9.3	6.4	76.9	13.7	9.4
14	14	52.4	61.5	68.0	9.1	6.5	77.1	13.3	9.6
21	21	52.4	61.5	68.0	9.1	6.5	77.1	13.3	9.6
28	28	52.4	61.5	68.0	9.1	6.5	77.1	13.3	9.6
Nov. 4	4	52.4	61.5	68.0	9.1	6.5	77.1	13.3	9.6
11	11	52.4	61.8	68.0	9.4	6.2	77.1	13.8	9.1
18	18	52.4	62.2	68.0	9.8	5.8	77.1	14.4	8.5
25	25	52.4	62.0	68.0	9.6	6.0	77.1	14.1	8.3
Dec. 2	2	52.4	63.0	67.8	10.6	4.8	77.3	15.6	7.1
9	9	52.4	63.0	68.2	10.6	5.2	76.8	15.6	7.6
16	16	52.4	63.0	68.2	10.6	5.2	76.8	15.6	7.6
23	23	53.2	63.8	68.5	10.6	4.7	77.7	15.4	6.9
30	30	53.2	63.8	68.5	10.6	4.7	77.7	15.4	6.9





TABLE XIX  
ONTARIO - EGGS - GRADE "A" MEDIUM - 1957

Date	Week of .....	Average Farm Price per doz.	Average Wholesale Price per doz.	Average Chain Store Retail Price per doz.	Wholesale Spread per doz.	Retail Spread per doz.	% of Retail Prices Received by		
							Farm %	Wholesale %	Retail %
Poultry Products Div.									
July	1	.33	.42	.47	9	5	70.2	19.2	10.6
	8	.36	.52	.54	16	2	66.7	29.6	3.7
	15	.46	.57	.60	11	3	76.7	18.3	5.0
	22	.48	.51	.60	3	9	80.0	5.0	15.0
	29	.46	.48	.58	2	10	77.3	3.5	17.2
Aug.	5	.40	.44	.56	4	12	71.4	7.2	21.4
	12	.32	.40	.50	8	10	64.0	16.0	20.0
	19	.32	.38	.48	6	10	66.7	12.5	20.8
	26	.34	.42	.48	8	6	70.8	16.7	12.5
	Sept. 2	.36	.42	.50	6	8	72.0	12.0	16.0
	9	.40	.44	.54	4	10	74.1	7.4	18.5
	16	.40	.44	.54	4	10	74.1	7.4	18.5
	23	.32	.42	.50	10	8	64.0	20.0	16.0
	30	.32	.40	.49	8	9	65.3	16.3	18.4
	Oct. 7	.32	.41	.48	9	7	66.7	18.7	14.6
	14	.34	.42	.48	8	6	70.8	16.7	12.5
	21	.36	.46	.50	10	4	72.0	20.0	8.0
	28	.39	.46	.50	7	4	78.0	14.0	8.0
	Nov. 4	.36	.43	.50	7	7	72.0	14.0	14.0
	11	.38	.47	.51	9	4	74.5	17.7	7.8
	18	.34	.43	.50	9	7	68.0	18.0	14.0
	25	.34	.42	.50	8	8	68.0	16.0	16.0
	Dec. 2	.32	.41	.46	9	5	69.6	19.5	10.9
	9	.34	.42	.46	8	4	73.9	17.4	8.7
	16	.32	.42	.46	10	4	69.6	21.7	8.7
	23	.31	.41	.48	10	7	64.6	20.8	14.6
	30	.30	.40	.47	10	7	63.8	21.3	14.9



## APPENDIX 6 STATISTICS ON THE MILK INDUSTRY IN ONTARIO

Table XX

## GROWTH OF BULK METHOD OF HANDLING MILK

FLUID MARKET	Number of Dairies			Number of Bulk Transports			Number of Bulk Producers		
	1956	1957	1958	1956	1957	1958	1956	1957	1958
AURORA	1	2	2	2	3	3	38	55	56
BARRIE	1	1	1	1	1	1	35	31	38
BOLTON	-	1	1	-	1	1	-	7	8
BOWMANVILLE	-	-	1	-	-	1	-	-	13
FORT WILLIAM	-	-	1	-	-	1	-	-	19
GALT	-	-	1	-	-	1	-	-	18
GUELPH	-	1	1	-	2	2	-	30	31
HAMILTON	1	2	4	1	2	6	12	10	97
INGERSOLL	-	1	1	-	1	1	-	8	9
KITCHENER	1	1	1	1	2	2	32	36	37
LONDON	-	1	1	-	1	1	-	27	35
MARKHAM	-	1	1	-	1	1	-	8	8
NEWMARKET	-	1	1	-	1	1	-	8	8
OSHAWA	1	3	3	2	5	5	29	95	95
OTTAWA	-	1	1	-	1	1	-	26	24
PEMBROKE	-	-	1	-	-	1	-	-	11
PORT HOPE	-	-	1	-	-	1	-	-	17
SMITHS FALLS	-	1	2	-	1	2	-	4	12
ST. CATHARINES	-	1	1	-	2	2	-	43	41
TORONTO	7	12	15	11	39	110	292	952	2,169
WHITBY	1	1	1	1	1	1	15	16	15
WOODBIDGE	-	-	1	-	-	1	-	-	18
WOODSTOCK	-	1	1	-	1	1	-	9	8
TOTAL FLUID	13	32	44	19	65	147	453	1,365	2,787
CONCENTRATED MILK PLANT			1			1			14
TOTAL	13	32	45	19	65	148	453	1,365	2,801



Table XXI

## PRICE FORMULA CALCULATIONS

Month	Formula Price		Change in Price		Basic Price
	Monthly	3 Months Average	Monthly Plus or Minus	3 Months Average Plus or Minus	
July '54	4.48	4.48			4.53
July '55	4.645	4.62	+	.115	4.53
Aug. '56	4.716	4.66	+	.186	4.53
Sept. '56	4.7238	4.6955	+	.1938	4.53
Oct. '56	4.7463	4.7288	+	.2163	4.72
New Basic Price effective November 1, 1956 - \$4.72					
July '57	4.8943	4.8902	+	.1743	4.72
Aug. '57	4.9286	4.9066	+	.2086	4.72
Sept. '57	4.9419	4.9216	+	.2219	4.91
New Basic Price effective October 1, 1957 - \$4.91					
Oct. '57	4.9653	4.9452	+	.0553	4.91
Nov. '57	4.9532	4.9534	+	.0432	4.91
Dec. '57	4.9469	4.9551	+	.0469	4.91
Jan. '58	4.9355	4.9452	+	.0255	4.91
Feb. '58	4.9690	4.9504	+	.0590	4.91
Mar. '58	4.9172	4.9405	+	.0072	4.91



# Fluid Milk Sales in the Toronto Market, 1952-1957

## (A) By Type of Milk

Year	Standard Milk	Special Milk	2% Milk	Skim Milk	All Fluid Milk <sup>(1)</sup> (Incl. Skim Milk)	Per Capita

(1) The overall sales figures given in the table are higher than the aggregate figures for the four columns, because for some fluid milk sold in the market a breakdown by type of milk could not be obtained.

## (B) By Type and Size of Container

Period in quarters	Sales of Standard Milk										Total Sales of Standard Milk in quarts Amount	% of Sales
	Three Quart		Two Quart		Quart		Paper		Glass			
	Amount	% of Sales	Amount	% of Sales	Amount	% of Sales	Amount	% of Sales	Amount	% of Sales		
1957	-	-	-	-	-	-	-	-	-	-	33,344,263	100.0
	194,349	1.7	535,274	3.1	-	-	24,045,621	71.9	5,823,123	17.5	34,728,302	100.0
	312,460	2.9	830,210	5.1	-	-	23,690,825	68.2	5,611,742	16.2	32,741,645	100.0
	421,682	3.7	1,110,672	6.4	-	-	20,434,083	62.2	6,107,109	18.7	34,590,229	100.0
1958	463,960	4.1	1,149,028	6.7	178,299	1.0	21,128,573	61.5	5,851,797	17.0	34,273,049	100.0
	414,954	3.6	1,171,624	6.8	640,245	3.7	20,639,425	59.5	5,624,455	16.2	34,685,638	100.0







start with one or two simple and innocuous questions and turn the more profound questions over to my colleagues. I don't want Dr. Gathercole to escape entirely. I think I may direct my initial questions to him.

You have seen the chart here which is a simple and general representation of the real issue with which this Commission is involved. On page 37 you have reference to the decline in prices which started after the Korean conflict. Our chart shows the somewhat similar development since 1950 in Canada as in the United States. I was wondering whether anybody could help us by some indication of the causes that brought about this change in the price relations, let us say in the North American Continent. As a matter of fact you could extend it beyond that if you wanted to. In 1951 something happened in the relationship between raw material prices and retail prices. Have you given any consideration to this problem in its more general aspect?

MR. GATHERCOLE: We have discussed it at some length without finding any really satisfactory solution as to what is at the root of it. There is no question about it, there seems to have been an abundance of farm products, supplies were very adequate and in this period the farm prices had tended to decline. The retail prices, which are subject to more regulation and control, remained more or less





stable, except at the outbreak of the Korean War farm prices were also highly sensitive. I think myself it is a matter, perhaps a relative matter, on the part of the processing, distributing and re-tailing stages to be able to regulate prices more effectively. Having got the prices up then the control that was exercised by them enabled them to offer more resistance than is possible at the basic farm level. Added to that there may be new packaging arrangements. Cellophane, I believe, was quite expensive in that period. Other improvements of that sort may account for part of it.

Speaking personally I am bound to feel myself that to some extent the stickiness in the retail prices is due to the capacity of those engaged in the business having got the price up to hold it. Have you anything to say to that?

MR. PATTERSON: There is just one comment I would like to make. In the matter of drawing the chart that exaggerates the trend. It is done on an index basis. Apart from that the cause naturally came about with the tendency of high wage level to force specialization in the agricultural and marketing end, with the effect a lot of processes from agriculture have been shoved in the marketing process, such as cut-up chicken products which used to be done on the farm. Because of the labour situation naturally the trend has been to get these things





into larger and larger units so workers can specialize. Inevitably that means shoving more processors away from the farm.

At the other end you have the fact of rising wages and better buying power on the part of the consumer demanding better packaging and that shoves the cost up in the retail end. I would think there are two things that might account for what variation is there.

THE CHAIRMAN: It seems to me the general effect of what you are saying is that there are changes within the marketing area, including additional cost of things, which undoubtedly account in part for the spread but surely it is not right to say these things, the increase in cost and marketing, have pushed down the farm price index.

MR. PATTERSON: The farm price is not the same farm price as it was before. In one case you are selling the chicken from the coop and in the other selling it dressed for the market. Two different products. The statistics don't distinguish sufficiently between the state of different things at the market.





THE CHAIRMAN: Do you mean the decline in farm prices represented by that lower mark is due largely to the assumption of functions previously performed on the farm in the process ---

MR. PATTERSON: Oh, there are other reasons behind that, but the spread is partly caused by that.

THE CHAIRMAN: May I ask what in your view were the causes of the decline in farm prices which started in 1951?

MR. PATTERSON: That is the normal trend that has happened practically after every war. It was prolonged, perhaps, by the Korean situation, but you will find that same breaking-off about three years after every war, including the American Civil War and the First World War. It is the normal reaction. It is the beginning to get back to trade again and away from the war economy shortages.

THE CHAIRMAN: You cannot spell it out in more specific terms? Let me ask more directly: On page 2 you refer to the increase in the volume of physical production, and the increase in the production of farm work. It is at the top of page 2:

"The increase in production per farm

"worker has far exceeded the increase

"in production by the agricultural

"industry as a whole."

Do you think it would be correct to suggest that in the period preceding 1951, and in the period of

1. The first part of the paper is devoted to a general discussion of the problem of the existence of solutions of the system of equations (1) under the conditions (2).

2. In the second part, we consider the case of a linear system of equations (1) with constant coefficients. We show that the system has a unique solution if the determinant of the matrix of coefficients is non-zero. If the determinant is zero, the system has either no solution or infinitely many solutions, depending on the compatibility of the right-hand side.

3. In the third part, we consider the case of a nonlinear system of equations (1). We show that the system has a unique solution if the Jacobian matrix of the system is non-singular at the point of interest.

4. Finally, we discuss some applications of the results obtained in the paper to the theory of differential equations.





rising prices ahead of that, that there was a build-up of productive capacity through the incentive of prices, adoption of approved techniques, and this build-up of productive capacity became evident on the market in 1951, and might be held to be responsible for the effect on prices at that time?

MR. PATTERSON: There would be some effect on that, but actually in Ontario the total build-up right through pre-war, right up until about that time is only about 28 per cent above pre-war. I do not think that would account for it because the local consumptive capacity would be rising by that amount.

THE CHAIRMAN: On page 6 you say:

"The largest single problem faced by  
"the farmer is the decline of his net  
"income from farming operations since  
"1951-52."

I wonder if anyone here has figures on the net farm income in Ontario.

MR. CAMPBELL: Farming operations.

THE CHAIRMAN: In the Appendix, is this?

MR. CAMPBELL: Yes, A-3.

THE CHAIRMAN: I am reading at Table II, page A-3, last line, which shows the total net income figure for 1951 is \$431 million, whereas for 1957 it is \$321 million. This is the extent of the decline in total net farm income. I have forgotten the decline in population. I wonder if





offhand you could tell me whether that represents a decline in income for the worker or not.

THE CHAIRMAN: Income for the worker would be higher? -- 22 or 23 per cent. The figures would be very close to the same decline in the number of workers.

MR. PATTERSON: The decline in workers has been running about 14,000 a year.

THE CHAIRMAN: Your immediate reaction would be the decline in workers would be about the same?

MR. PATTERSON: Yes.

THE CHAIRMAN: I wonder if I may go back to page 42. I will read this paragraph at the bottom of the page:

"A rise in the farm-retail price spread  
"does not always imply a reduction in  
"farm prices. Nor does a decline in  
"the price spread necessarily involve  
"a rise in farm prices. The size of  
"the price spread depends upon two  
"variables, retail food prices and farm  
"prices, which do not necessarily move  
"in the same direction."

Now, I take it what this is saying, is in reference to these two curves, you may have a set of facts operating to determine the price at the farm. Presumably the peculiar factors there are on the supply





side, because the demand factors are obviously somewhere between the farm and the consumer, so that the peculiar factors that operate on the farm price directly would be supply factors.

MR. CAMPBELL: Could I make a comment on that? We feel that this is true from 1951 on, but I think in regard to the first question there has been a widening in the gap here from 1951 up between consumer prices and farm prices, and I am surprised that the two prices have both risen together to the same extent from 1948 to 1951, whereas I think demand was a very important factor. Demand for food in Europe where reconstruction was so necessary and where agricultural production is regaining its pre-war strength somewhere about 1949 to 1950, and then the stock piling which accompanied the Korean operation in 1950 and continuing in 1951.

In my view, anyway, the demand situation probably accounted more for the rise in farm prices up until 1951 than any purely supply factor. From 1951 on, then we have the supply already caught up to demand, and the situation is the way we see it here.

THE CHAIRMAN: Did the total demand decline in 1951?

MR. PATTERSON: By this time I would assume supply had caught up with the increasing demand.





Demand stabilized, and as a matter of fact, I would say probably declined as a result of the stock piling and speculation.

MR. GATHERCOLE: Wouldn't the fact of changes in the international food picture have some bearing on this? For instance, the greater export in Ontario of certain types of food. Now, I do not pretend to be an expert in any of this, but I do know that sometimes that happens. Certainly fruits and vegetables in large quantities are used, and it does seem to me that the change in the situation in the food position of Europe and other countries undoubtedly exercises some effect preceding the supply as well as the expansion of the domestic growing of foods or crops, and helped to bring about what I consider to be somewhat of an abundance or peak position in supplies of foods that has created that divergence of the two trends.

THE CHAIRMAN: Decline in the export marketing demand was greater than the expansion for purely domestic plans? Therefore there was a net reduction in food.

MR. GATHERCOLE: I think that is part and parcel of it. The exact magnitude I do not know, but I believe, sir, that it is the easier position of food products throughout Europe as well as our own country.

MR. GRAHAM: What Mr. Gathercole has









mentioned has a direct bearing on Ontario. After the war the whole complexion of marketing changed. Cheese, for example, instead of shipping millions of tons of cheese-- hundreds of millions -- we are down to very small amounts. The same with our fruits, as Mr. Gathercole mentioned, and pork, and it has changed the whole complexion of marketing.

THE CHAIRMAN: How do you think that entire picture would be changed if that represented Ontario instead of Canada?

MR. PATTERSON: They would both be up.

THE CHAIRMAN: The spread would be just as wide?

MR. PATTERSON: I expect it would, for this wage situation we are talking about in agriculture applies to other industries as well, and a lot of the food industry, in retailing in particular, is wages.

THE CHAIRMAN: We have had a reference to the fact you have increases due to costs in here. Also additional services and things which are covered by the increasing spread, but surely these are not the only factors that have resulted in the general rise of the consumers' food price index. How would that index compare with the total consumers' index? The cost of living index?

MR. PATTERSON: I would have to look it up.

1. The first part of the paper is devoted to the

study of the properties of the function  $f(x)$ .

2. In the second part we consider the case when

the function  $f(x)$  is continuous and has a finite

limit at the point  $x_0$ . We show that in this case

the function  $f(x)$  is continuous at  $x_0$ .

3. In the third part we consider the case when

the function  $f(x)$  is continuous and has a finite

limit at the point  $x_0$ . We show that in this case

the function  $f(x)$  is continuous at  $x_0$ .

4. In the fourth part we consider the case when

the function  $f(x)$  is continuous and has a finite

limit at the point  $x_0$ . We show that in this case

the function  $f(x)$  is continuous at  $x_0$ .

5. In the fifth part we consider the case when

the function  $f(x)$  is continuous and has a finite

limit at the point  $x_0$ . We show that in this case

the function  $f(x)$  is continuous at  $x_0$ .

6. In the sixth part we consider the case when

the function  $f(x)$  is continuous and has a finite



THE CHAIRMAN: If you put the total index on there, it would lie above that food cost, but it has been rising, and surely the same factors which have been responsible for the general rise of prices have to some extent affected food prices at the retail. Is that right?

MR. PATTERSON: The only thing is if they were both rising on the percentage basis, the margin would not look so great as it does.

THE CHAIRMAN: This is not a margin.

MR. PATTERSON: Yes.

THE CHAIRMAN: This is merely two sets of prices which are moved in different directions, presumably under the impetus of different forces.

MR. CAMPBELL: Could I ask a question?  
In the Gordon Commission ---

THE CHAIRMAN: You are reversing the normal procedure.

could have been the same.

It was a very good day for me.

I had a very good day for me.

Nothing to report for the day.

Nothing to report for the day.

Nothing to report for the day.

Nothing to report for the day.

Nothing to report for the day.

Nothing to report for the day.

Nothing to report for the day.

Nothing to report for the day.

Nothing to report for the day.



MR. CAMPBELL: The Gordon Commission report indicated, as far as I could see, that the increase in production per man-hour in industry was a little less since the war -- something like 6 per cent cumulative increase in Agriculture and perhaps 2.3 per cent in industry. Does that not also have a bearing -- the increased productivity -- of what might be expected over a period of time -- over this period of time, at least, as examined in the Gordon Commission -- some widening of the relationship of these two red lines?

THE CHAIRMAN: There is some assumption that these things might be relative to the last initial question. Thank you very much.

MR. DRUMMOND: Your comment, by the way, seems to be directed to the Chairman's earlier statement.

MR. PERKIN: There is another small factor more evident today, of course, than in 1951. That is the change in consumer patterns and retail shopping.

Today, in the Toronto area, between 60 and 70 per cent of food products are bought on two days of the week. In all the retail stores in the Toronto area -- here, in these mammoth market areas, they are doing six days' business in two days, and there is extra help needed to be brought in on those two days. And that's becoming more interesting all





the time, and the result today is there is less shopping space being given in chain stores to farm foods and more space given to hardware items.

THE CHAIRMAN: Mr. MacKichan, have you any questions?

COMMISSIONER MacKICHAN: I have two or three, sir.

I would like a better picture of the marketing agency group contrasted with the collective bargaining group. Could you contrast these two for us?

MR. GRAHAM: Mr. Perkin can, as Chairman of our Farm Products Marketing Board. That Board is made up of two civil servants. One is a retired civil servant now, and the other is a secretary of our Federation, at present a civil servant, and this Board administer the Farm Products Marketing Act, under which these two plans of marketing, agency, and the second one that you have mentioned, that of negotiation.

Mr. Perkin will explain the system. If you will, Mr. Perkin.

MR. PERKIN: We do have 18 marketing plans in Ontario covering 30 farm crops. 16 of them are in the negotiating type of group, or collective bargaining group. Group two are in the marketing agency, or single sales agency, or exclusive sales agency group -- whichever name you wish to give it.







In the collective bargaining group, the plans call for the appointment of negotiating committees of equal members -- on each side, farmers and buyers. In all cases, the farmer continues to own his own product, and he sells it subject to the agreement on a minimum price and contract terms. That is reached for him by his Marketing Board through this negotiating committee. If the committee should not reach a decision, then, of course, a dispute arises and the matter goes to arbitration. Essentially, it is the same procedure exactly as in labour management relationship.

In the farm picture, of course, the agreements may be for one year or for any time -- the certain period specified in the agreement. They never extend for more than one year, but it can be a shorter time. In the marketing agency group, we only have two plans, and in my own view, at least, their experience doesn't justify anything yet, in particular accomplishments.

But, actually, they operate in the same way as the Canadian Wheat Board. The Marketing Board appoints a corporation which has complete and full trading rights over that particular product. The farmer has no longer any right to sell his product. It is sold for him day to day on such terms and conditions as this agency can arrive at, or decide upon. The two products in our case are





hogs and fresh peaches.

COMMISSIONER MacKICHAN: I would think that a collective bargaining system might be rather contrary -- the first few lines, page 13 --

"Opportunities for increasing returns to producers with no equivalent increase in cost to the consumer".

MR. GATHERCOLE: I think, Mr. Chairman, reference there is made to the possibilities of introducing more orderly marketing, and the desirability in maintaining a healthy industry, in the long run, because the consumer is only going to gain in having a healthy industry and production. If industry is suffering with very long periods of depression and short bursts of prosperity, it isn't going to be to the consumer's wealth, and that is what we had in mind there.

COMMISSIONER MacKICHAN: Having in mind the time, I will take a few items. The bottom of page 13 under Marketing Information. All across the country, we have heard comments on the inadequacy and the time lag in obtaining marketing information. There is just one I recall in the Western Canada brief. We had a recommendation that there be a joint effort between the provinces and DVE to get out information on a national and of a more localized basis. What comment could you make on that?





MR. CAMPBELL: If I could comment, Mr. Chairman, we put out from the O.A.C. approximately every four months a publication Ontario Farm Business, of which the first page and sometimes into the second is devoted to outlet for prices of various farm commodities. At meetings last year of bankers, we had six banking schools for bankers in Ontario and at those meetings, the bankers themselves recommended we attempt to put this outlet page out every other month. So, we have six issues per year, but we haven't been able to ---

COMMISSIONER MacKICHAN: Gradings and inspection. Page 16, second paragraph. The extra steps being taken have added to the cost and constitute an important factor when considering costs of marketing and price spread between the producer and the consumer. Would you feel that it has added to the value of the product?

MR. PATTERSON: There are other implications to that. One is that if you guarantee the consumer a good product, you aren't necessarily quoting on the same product. It may be a higher price for a better product, and when you start talking about marketing margins -- the kind of statistics we have to work with normally don't differentiate sufficiently to bring that out.

COMMISSIONER MacKICHAN: Would you expect better acceptance on the market?





MR. PATTERSON: It probably would lead to that. There are other aspects tied in with that of a tendency to go from local shippers to a retail store. That's only possible if you have a good grading system, and possibly a local bargaining agency, such as a Marketing Board. There has to be an assembly group at the local point to get that before the store can make a sufficiently big deal to make it worthwhile.

COMMISSIONER MacKICHAN: Is this coming through to the consumer, where the consumer can identify a specific product?

MR. PATTERSON: In many cases.

COMMISSIONER MacKICHAN: I am referring to fruit and vegetables.

MR. GRAHAM: There is another point to mention in regard to products storage. The Premier, when speaking, mentioned our cold storage. A number of those storages are grading a product in as well as out, which means that the consumer is getting a more uniform product and a product of higher quality, and naturally of higher value, which would possibly answer your question too, sir.

COMMISSIONER MacKICHAN: Page 33. On page 32 you mentioned the increasing influence of chain stores in the bargaining field, and on page 34 you have mentioned the increase in bargaining power where you have larger units and









produce a quantity. Would you comment on whether these two forces are moving along on parallel lines or is either one side or the other on the edge of the influence?

MR. PERKIN: I don't know whether they are moving on parallel lines, but the percentage of retail trade held by the chains or gathered in by the chains is increasing all the time. I can't verify the figure, but they say themselves today that they are handling 70 per cent of the food sold in the province, and that, of course, is the market in many cases over the last ten years.

As the percentage grows, obviously their bargaining power in buying is increasing correspondingly. They don't buy wholesale.

COMMISSIONER MacKICHAN: My question is are the producers providing for an equal sphere of influence?

MR. GATHERCOLE: You could hardly say they were. I'm not too conversant with this view, but a general observation -- it would seem to me that the farmers aren't advancing, although they have advanced some distance.

MR. PERKIN: The main marketing organizations in Ontario dealing with the producers have made a very good development with the one exception, peaches -- in its fresh state. It isn't a manageable thing to deal with the retailers





in establishing prices.

COMMISSIONER MacKICHAN: Are the producers coming along with their own processing plant?

MR. PERKIN: It will mean a tremendous degree of regimentation on the part of the producers to do that, and they aren't inclined to do so unless they are forced.

COMMISSIONER MacKICHAN: You don't think there is a field of voluntary co-operation developing to some appreciable extent?

MR. PERKIN: I don't know. The reasons we have marketing plans -- the first reason was that organized agriculture in Ontario felt that a voluntary co-operative movement had failed. That is why you have compulsory farm marketing.

COMMISSIONER WALTON: What happens under the marketing agency where you must have everyone go into the established farm co-ops? Are they obligated to go in?

MR. PERKIN: They are obligated to go in. There are no exceptions, and the reason for that form of organization is to compel the recalcitrant to go along with the majority. It is desirable. It doesn't always function and work.

COMMISSIONER MacKICHAN: One observation on beef, and not on price exactly, and we have a wide spread -- quite a wide spread on beef. But,





part of it is covered by waste of fat which is taken off both at the retail level and in the home. And, go back to the Research Department, I am wondering if there is any effort being made to develop a beef or a pack or a strain. I am going to be reasonable on this. I am only going to touch on the fat side. Is there anything being developed for a better animal, having in mind the attention to the national waste line as at present. You probably recall that there was in the United States last year a conference between producers and packers to produce a good type of commercial beef rather than Red Brand.



MR. PERKIN: It may interest you to know that the Livestock Commissioner got some information for us which indicated about 50 per cent of the beef sold in Ontario are from dairy cattle, which limits how far you can go in making the change.

MR. GRAHAM: To come back to your remark, the Chairman knows full well our agricultural institutions in this Province come under the Department of Agriculture. We have, leading up to the question you have asked, a testing system in beef cattle in this Province in regard to rate of gain. We also have cattle on two demonstration farms. The progeny of these particular blood lines will move to the institution at Guelph, with the result that the animal husbandry people have control from the breeding to the finished product. Now, whether we will develop what you have in mind - - we are going into feeding as well. Dealing with it that way we have various departments that come into play, our commercial men, the animal husbandry men, and the Nutritional Department.

COMMISSIONER MacKICHAN: I have one other observation. The small margin per pound there was on some forms of processing, principally the packing industry, doesn't that change when you look at the gain on capital invested rather







than per pound?

MR. GATHERCOLE: Yes, I believe I made that comment. I made it more specifically in relation to the milk and dairy industry. I agree with you that on the mass sales such as they have that any company can earn a very substantial return, a high percentage of invested capital. Our experience on the examination of the financial statement of the dairies show that they were not earning an unwarranted return in relation to their invested capital and their requirement in the way of renovation of plants and improvement of machinery. That might not be the case in some other branches of industry. We do know there have been some very substantial fortunes accumulated in the packing industry. Whether that is being done today, it is impossible to say.

COMMISSIONER MARTIN: I don't remember exactly where, but in your brief you mention as one of the big factors which cause the trends towards integration is lack of credit on the part of the producer. Do you think it is the only one?

MR. GATHERCOLE: No, not by any means. I would say there are other reasons. I suppose the appeal of a little more security may be a big element. Perhaps Professor Campbell can tell you.





COMMISSIONER MARTIN: You mention in the brief that a lot of producers are going into contract farming because of lack of credit.

MR. GRAHAM: There is also the assistance and support given by the organization to which they contract.

MR. CAMPBELL: They want a little bit of security. If one is a broiler producer and feeding a large number of broilers if you don't have a contract to show where the broilers will be marketed, and roughly the price, it becomes a real element of insecurity.

MR. PATTERSON: It is the same thing as whole milk. When you are dealing with a perishable product you want to know where it will move. It is not like beef, which you don't care whether you market some time within the next year. You can do some holding and some bargaining. You cannot do anything with a product that will deteriorate on your hands. The security of having a contract is important. Very few people will ship whole milk in without a contract.

COMMISSIONER MARTIN: But it seems the farmers have been offered a contract at first, so it should come from some other direction.

MR. PATTERSON: In the first place the farmer would not know the contract was available to him until he had some kind of offer.





COMMISSIONER MARTIN: Do you think the necessity for the processing firms to have a reasonable supply of raw materials may in turn account for that?

MR. PATTERSON: Oh, yes. One of the things is the development of your chain store. They want regular supplies. They are inclined to deal with people who will give it to them. They would prefer to deal with a processing plant. Again you are dealing with a highly perishable product. The processing plant in turn, or the feed company with whom they deal, would want to make sure they had a supply coming along and the contract insures that.

MR. PERKIN: Originally it was the feed companies that initiated the contract, not the processors.

THE CHAIRMAN: You say in all cases it comes from someone other than the farmer?

MR. GRAHAM: The farmer now is taking a greater place in negotiations.

MR. GATHERCOLE: I suppose that once the existence of these contracts is known then you have farmers in the same organization saying, "I will make a contract with you".

MR. GRAHAM: The dairy organization is an organization doing the bargaining as far as contracts are concerned. A certain amount in





chickens too.

MR. CAMPBELL: Contract farming is not a new process. Fruits and vegetables have all been grown under contract for quite some time.

MR. GRAHAM: They have been feeding beef cattle from Alberta under contract for a number of years and other Western Provinces.

COMMISSIONER WALTON: I would like some information on your marketing agencies. On the peaches and hogs have you operated sufficiently long enough to feel you have reduced the price spread or is it a question of negotiating to get a better price return for the farmer, which may in turn result in a higher consumer price?

MR. PERKIN: In all honesty I don't think the farmer is interested in any price but his own.

COMMISSIONER WALTON: In the event when you negotiate for a minimum price then advantage can be taken of a short crop, within reason, to get a higher price. What do you do when you have nature too plentiful? Do the processors have a contract for a given amount or is just price negotiated?

MR. GRAHAM: Just price.

MR. PERKIN: Well, for instance, number two Keifer pears are never permitted to go to market. size is factor in the peach market. The peach size is measured from two and one quarter to two







and one half inches. The crops have been so plentiful that the distributing agencies have broken down. The Marketing Board plans to establish a price. As far as fresh fruits and vegetables, the important thing is the Thursday chain store ad. That in fact will set your price for the following week-end. With the concentration of marketing on Thursdays and Fridays, and some on Saturday mornings, there is the barometer for the farmer's price.

MR. PATTERSON: Incidentally, we run in- to a serious problem in taking prices through the week. We cannot take the average daily price and say, "This is the price paid at the store", because there is such a high percentage coming on Friday and Saturday. That is the price which really matters. The rest of the week the volume is so small it does not affect the total. We are running into the same problem on farmer prices. You cannot take an average price right through and come up with anything reasonable. Most of the indices tend to show the farm share too high. The farm price is down when a heavy volume is moving. The farmer therefore gets less than most indices show for the work. The average market quotations do not show the volume along with the quotations.

THE CHAIRMAN: I wonder if you might set





out more clearly for me what you said in a general way about the Thursday chain store price determining the producers price for the next week? In the first place, is it your experience that the chain stores do not charge the same price on Thursday - -

MR. PERKIN: Not in the same place in the same community.

THE CHAIRMAN: So there is some range?

MR. PERKIN: What the traffic will bear. The better communities have a higher retail price for the same product. I don't think that matters so much. The chains of course will sometimes operate at a loss. They will operate from a very narrow margin. Two weeks ago it was the peak for this year's peach crop. The Grower organizations had hoped for 75 cents retail price to the public. At 11 o'clock on the Wednesday night the price was reduced by one chain to 69 cents. The ads came out in the Globe and Mail on Thursday morning and on Thursday afternoon the remaining chain store ads were out at 65 cents. The peaches which sold at 69 cents cost 67 and one half cent for 200,000 baskets. The peaches sold by the other chains at 4 cents lower were bought at 60 cents. The Co-operative chain was penalized. The following week the natural spreads were restored and the farmers price reduced from 54 cents to 30 to 35





cents. It is not a fair example. It is such an extremely perishable product. This year we ran into some ground rot. If the farmers organization cannot sell for him, the farmer will sell himself. You cannot have a situation of two policemen for each producer.

MR. PATTERSON: If I might add, the significance of the chain store ad is that normally it will only be the lower prices which are advertised.

MR. PERKIN: If there is any doubt at all no price will be advertised.

MR. PATTERSON: If one chain thinks they can use it as something that will bring customers to the store they will do so. If it was the normal price they would not bother advertising.

MR. PERKIN: In fairness to the chains I don't think they beat down the price to the farmer. It is just a competitive factor between the chain stores. One chain is going to be better than the other.

COMMISSIONER COUVRETTE: At the bottom of page 48 and the top of page 49 there is a formula which provides for a change in the price spread on milk producers to one half cent a quart. Is the price provided at the consumers level fixed at that formular?

MR. PATTERSON: No.

COMMISSIONER COUVRETTE: Is it fixed in any way?





MR. PATTERSON: It is fixed to the producer.

COMMISSIONER COUVRETTE: The price at the consumers level - - no fixing there?

MR. PATTERSON: The power is there. The Act does give power to the Board to fix the retail price in the event they get out of line.

MR. GATHERCOLE: At one time the Ontario Milk Board did fix the retail price then abolished it for home delivery. The store price was held about 2 cents below the normal delivered milk price. Ultimately that price was removed.

COMMISSIONER COUVRETTE: So it is established on a free market basis?

MR. GATHERCOLE: There is the traditional pattern where the store price was somewhat below the home delivery price and that has more or less continued.

COMMISSIONER COUVRETTE: Why is it at the first paragraph on page 49 when there is a one half cent quart raise at the producers level it should be doubled at the consumers level.

MR. PATTERSON: That is just what has happened.

MR. GATHERCOLE: I suppose there is a bit of horse trading there.

MR. CAMPBELL: Since the margin is left at 50 per cent this is retaining about the same







ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

2701

percentage. It is usually considered to be undesirable to make one half cent changes. It is awkward in making change to make one half cent change per quart at the consumer level.



NN  
JO:1z  
10/15



ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

2702

MR. GRAHAM: There has been less trouble as far as per cent is concerned in the various markets since the formula has come in, because that formula gives in detail the cost and so on, and there must be a reason before the price increases to the purchaser.

COMMISSIONER COUVRETTE: But the one-half cent per quart is really in a sense one-third of a cent at the purchaser's level because the farmer, or the purchaser, shares only 40 per cent? Is that right?

MR. CAMPBELL: The price goes up one per cent, and the farmer receives half and the purchasers would have the additional half to cover their cost and the profits.

COMMISSIONER WALTON: It is the same formula for all areas in the province?

MR. CAMPBELL: With regional differences, which were initiated in 1954.

COMMISSIONER MARTIN: And applies only to fluid milk?

MR. PERKIN: Fluid milk only.

COMMISSIONER DRUMMOND: It is getting late, Mr. Chairman. I have a number of questions I would like to have asked Mr. Perkin, but perhaps they can be asked at some other time.

There are one or two perhaps I can get time to mention here. Since he is the real authority, I





think, on the terminal market operations, and since this matter has been outlined in fair detail here, and since it has been suggested the operation of this market has had a definite price-narrowing effect, I wonder if he would care to comment further as to the possibilities of further narrowing price spreads by the institution of still more markets of that sort. Perhaps on a smaller scale.

MR. PERKIN: Well, I would think that would be limited, because the food terminal isn't a Toronto market. It is a terminal market. Between 20 and 25 per cent of the produce coming in there is reshipped away from Toronto. All of the cars of both railways inevitably have to come to Mimico. So, their shipment into the food terminal there -- it's only a difference of six or seven miles, but it is a difference of twelve hours between unloading a refrigerator car at Mimico, and at the foot of Yonge Street.

To me, there is a very definite need for something different there. In the City of Montreal there is no question about it -- the handling of perishables in Montreal -- it is more or less indescribable.

You speak of a mark-up. At the foot of Yonge Street in the old days the standard handling charge to the farmer was  $12\frac{1}{2}$  per cent, plus a per package fee, depending on the size of the package --





one or two or three cents -- which gave you an average handling charge of 15 per cent on commission. Today it is 10 per cent with no handling.

So, there is some saving to the individual shipper. Secondly, we have the farmers' market there, which did not operate at the foot of Yonge Street, where you have got between three and four hundred farmers every morning coming in and selling right beside the wholesale trade, but not selling through the wholesale trade. They are bypassing them and selling direct to city retailers and country jobbers, which has an effect on the wholesaler.

COMMISSIONER DRUMMOND: That has a time-saving and an integrating effect also?

MR. PERKIN: I think a very definite effect but, in a sense, it is right under the wholesaler's eyes, and yet it is bypassing them.

COMMISSIONER DRUMMOND: Just one question relative to the marketing board problem. A great deal has been made in this brief with respect to the attempt in this province to improve the farm situation by the Farm Marketing Board. Certainly, you have had more experience here and for a longer period than any other.

Would it be fair, in your opinion, to say -- I think the Premier indicated this earlier -- that the real purpose of this type of legislation is to make it more possible for the farmer to have some say in







the pricing problem? Would it be fair to say that that is the prime and virtually the only real effect of this type of activity?

MR. PERKIN: Definitely. That is 99.9 per cent of the reason.

COMMISSIONER DRUMMOND: Following that, assuming that this method does result in giving the farmer some higher price because of the farm marketing board, does that, in your opinion, necessarily mean that the spread is thereby narrowed between the farm price and the ---

MR. PERKIN: No. It doesn't necessarily follow.

MR. PATTERSON: In fact, you have a bigger organization in bargaining. You are able to deal more directly. That would be your only hope.

MR. GATHERCOLE: So that the higher payment, or return, to the farmer doesn't mean an increased payment by the consumer. That can come about through better equipment at the food terminal, better preservation of perishable foodstuffs, and the improvement in the marketing, and the fact that you keep the farm industry economically healthy.

I think all those things may play a part in, while increasing the return to the farmer, at the same time in showing that the consumers are also going to be served, because they have better stores and facilities, better quality, more standardization,





and so that the consumer benefits from all of those things. He knows the product he is going to buy is a more reliable product, and he is generally better satisfied.

COMMISSIONER DRUMMOND: In other words, the indirect effect?

MR. GATHERCOLE: The indirect effects would be beneficial.

COMMISSIONER DRUMMOND: One final question. While the practice in this province thus far has indicated that you have chosen to rely primarily on the negotiating type of board rather than the agency type, do you feel -- after all, there is nothing in the legislation to keep you from indicating a variety of marketing functions?

MR. PERKIN: As an example, two major groups have imposed auction marketing on top of collective bargaining. Cheese and tobacco. There is a great flexibility in that. It isn't limited just to those two methods.

COMMISSIONER DRUMMOND: You have, in the case of British Columbia, as you are well aware, B. C. cheese and fruits.

MR. PERKIN: With the exception of milk.

COMMISSIONER DRUMMOND: If that pattern of operation were instituted in this province, might there be a possibility of effecting some economy?

MR. PERKIN: Are you suggesting that there





are more possibilities to the economy in agency methods than other methods?

COMMISSIONER DRUMMOND: If you wanted to do something other than this bargaining for a better price, then you would have to adopt the agency type of board. If you did, it might attempt to do any one of many things, and perhaps to perform a good many of the functions all the way along?

MR. PERKIN: There are several other handicaps to agencies, at least in my opinion, in Ontario. The agency market was designed to handle a product to be shipped a very long distance away from the area of production. Agencies may help us in British Columbia, because the producer is surrounded by two mountains with one railroad in and one railroad out. Here in Ontario we have a wonderful system of highways. Every farmer has a market at his back door.

All those factors make agency marketing more difficult to handle.

COMMISSIONER DRUMMOND: The extent of conditions pretty well dictate the extent of the method and the nature?

MR. PERKIN: I don't want to preclude its use. Some products do not lend themselves to collective bargaining. You can't put a minimum price on hogs for any definite period of time.

In Denmark, where Co-operatives not only







act in the process of hogs, they have never been able to fix a price on live hogs for a longer period than ten days. You haven't got that degree of control here in this country.

COMMISSIONER DRUMMOND: I think we had better adjourn.

THE CHAIRMAN: It remains only to thank you very much now for your cooperation in the assistance and preparation of the brief, and for your kindness in answering our questions.

MR. GRAHAM: Our Minister of Agriculture, The Honourable W. A. Goodfellow, has just come in. He might have a word.

THE CHAIRMAN: We would be glad to hear from you.

THE HON. W. A. GOODFELLOW: I don't think so. I was just interested in listening to the discussion, and how well the civil servants handle themselves.

THE CHAIRMAN: Thank you.

MR. GOODFELLOW: Naturally, as a farmer and a Minister, we do like to see the farm economy prosper, if only in the interests of our whole economy.

We are very happy to make the presentation to you this afternoon.

THE CHAIRMAN: Thank you very much indeed.

---Whereupon the Commission adjourned at 5.15 p.m. to resume at 10.00 a.m., Tuesday, September 16, 1958.













